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Mayor's Fiscal Advisory Committee Report

MFAC

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Mayor's Fiscal Advisory Committee

Report on

Port of San Francisco

April 7, 1992

Port of San Francisco

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Port of San Francisco

Summary

- The Port is prevented from transferring surplus moneys to the City's General Fund by the Burton Act and the Public Resources Code of the State of California
- Net income of the Port averaged $1.8 million annually 1987 to 1991 on average annual total revenues of $35.1million
- Personnel costs required 34.7%, debt service 29.0% and payments to other City departments 10.5% (total, 74.2%) of average annual total revenues 1987/91
- Expenses grew 14.9% 1987 to 1991 vs. 12.5% for revenues
- The Port had only a 2.7% marketshare of both total West Coast liner import and export tonnage in 1990 vs. 2.4% and 2.6%, respectively, in 1989
- Commercial property rental accounted for 57% of total revenues in 1991 while maritime related activity brought in only 39.3%
- Proposition H passed in November 1990 prohibits new commercial development of any non-maritime land use pending preparation of a Waterfront Land Use Plan and specifically precludes hotel construction as an unacceptable non-maritime land use

Concerns

- Is the Port a viable maritime operation given its physical limitations, environmental restrictions and competitive forces?
- Are projected capital improvements for infrastructure and replacement of outmoded or non-existent accounting and management information systems economically justifiable?

Policy Options

- Consider repeal of Proposition H to permit waterfront commercial development on leased land thereby providing possessory interest taxes to the General Fund
- Explore privatization of certain Port functions, i.e. commercial real estate management
- Consider transfer of duplicative Port functions such as accounting and billing to the Airport

Caveat

A condition of the transfer of the Port to the City by the State pursuant to the Burton Act in 1969 was the stipulation that all revenues of the Port surplus to operation and maintenance expenses be expended for the construction or improvement of facilities in furtherance of the promotion and accommodation of navigation and commerce activities of the Port, or for debt service on bonds issued for such purposes. Furthermore, revenues may be expended only for purposes of State, as distinguished from purely local or private, interest and benefit, in fulfillment of the uses and purposes of the Burton Act. Accordingly, none of the Port's net income is available to defray the costs of City government or for General Fund support. A similar prohibition exists in the Public Resources Code (Section 6306(b).

Port of San Francisco

Revenues and Expenditures

Trends

Audited operating revenues of the Port have fluctuated within a narrow range over the past five years, from $29.5 million in 1986/87 to $33.1 million in 1990/91 and have grown at an average rate of about 3% per year. Maritime activity and related property rentals have contributed only 37.1% of operating revenues while commercial property rentals have contributed 57.6%. Total income, operating revenues plus interest income, has ranged from $33.9 million in 1989/90 to $36.7 million in 1990/91.

Operating Revenues
($ in 000)

	1986/87	1987/88	1988/89	1989/90	1990/91
Property rentals - commercial	16,607	17,358	17,980	16,910	18,880
Property rentals - maritime	4,929	4,507	4,372	4,793	6,018
Wharfage, dockage & demurrage	5,670	6,264	6,427	6,676	6,983
Commercial power	923	1,023	856	869	992
Other	1,328	593	897	362	251
Total Operating Revenues	29,457	29,745	30,532	29,610	33,124

Audited operating expenses have also fluctuated within a narrow range with a low of $25.4 million in 1988/89, a high of $31.4 million in 1990/91 and an average of $27.5 million over the five-year period. Direct and indirect personnel costs account for the largest item of expenses, approximately 37%, and while staffing has decreased from 250 to 234 persons during the period, actual personnel-related costs on a cash basis have increased 28.7%, from $10.8 million in 1986/87 to $13.9 million in 1990/91.

Operating Expenses
($ in 000)

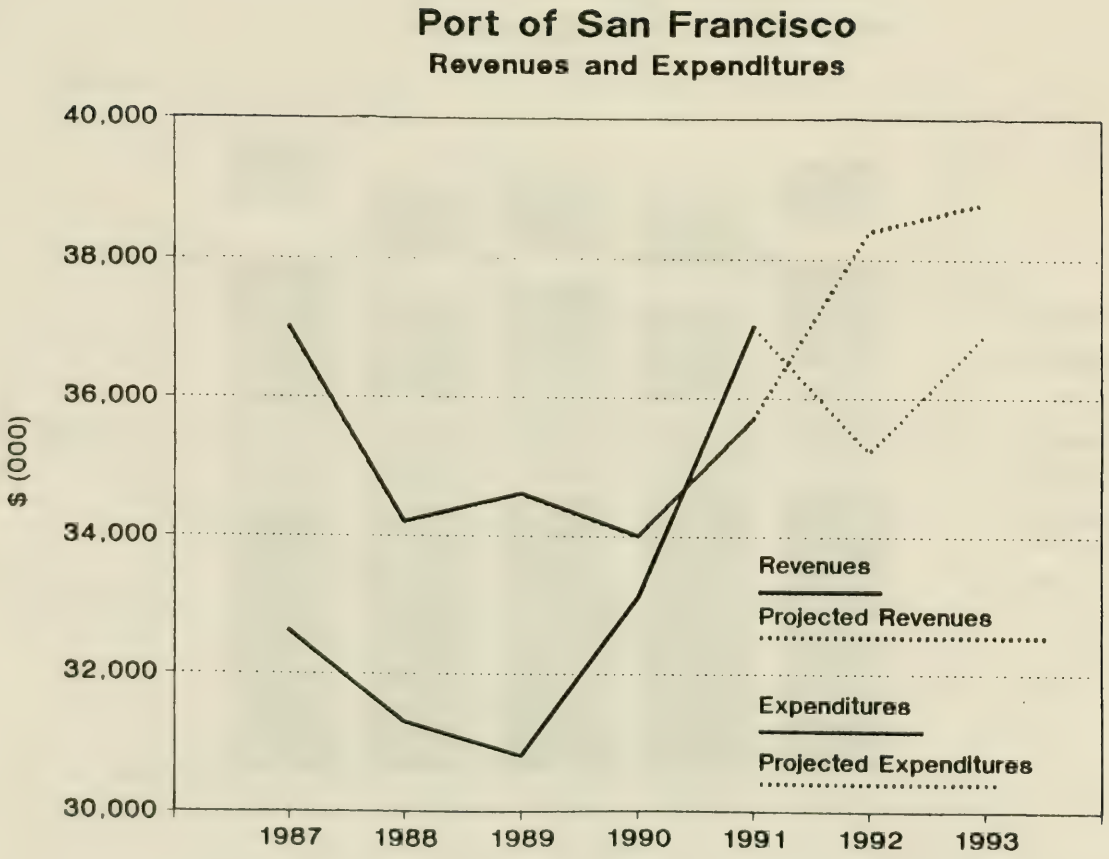
	1986/87	1987/88	1988/89	1989/90	1990/91
Operations	11,030	10,239	9,538	10,793	11,574
Maintenance	10,472	9,806	9,662	10,137	12,574
Depreciation	4,129	3,829	4,530	4,877	5,114
Commercial power	733	813	644	695	794
Fire boat operations	920	904	997	1,309	1,295
Total Operating Expenses	27,284	25,591	25,371	27,811	31,351

Subtracting operating expenses from operating revenues and adding other income to the resulting operating income produces net income or loss. Taken from audited financial statements, this figure has been as follows:

Net Income (Loss)
($ in 000)

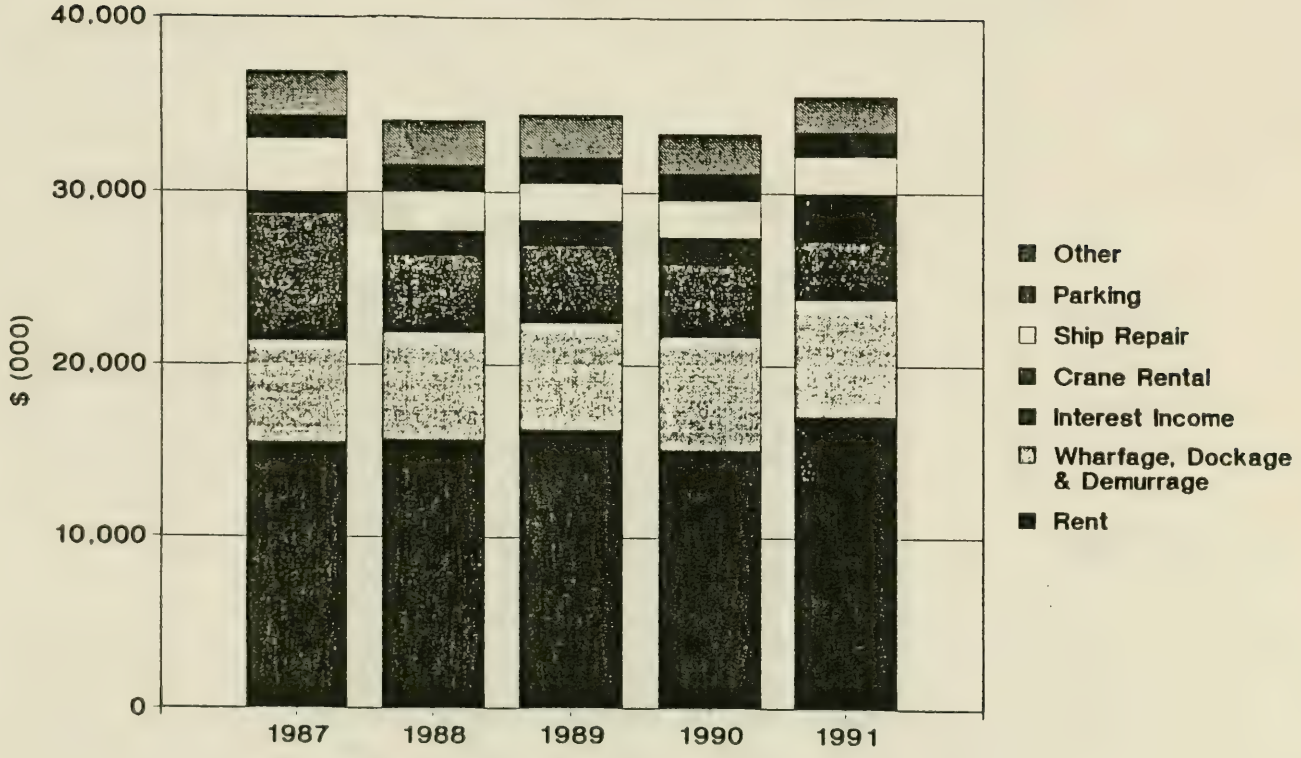
	1986/87	1987/88	1988/89	1989/90	1990/91
Operating Revenues	29,457	29,745	30,532	29,610	33,124
Operating Expenses	27,284	25,591	25,371	27,811	31,351
Operating Income	2,173	4,154	5,161	1,799	1,773
Other Income (Loss)	133	12,507	(2,166)	(1,758)	(5,263)
Net Income (Loss)	2,306	16,661	2,995	41	(3,490)

It is clear that the financial results of Port operations have not been particularly profitable. Excluding extraordinary items such as lease termination revenue of $12.4 million booked as other income in 1987/88 (which was actually the unamortized $14 million value of drydocks


Port of San Francisco
Revenues and Expenditures
40,000
38,000
36,000
34,000
32,000
30,000
$ (000)
1987
1988
1989
1990
1991
1992
1993
Revenues
Projected Revenues
Expenditures
Projected Expenditures

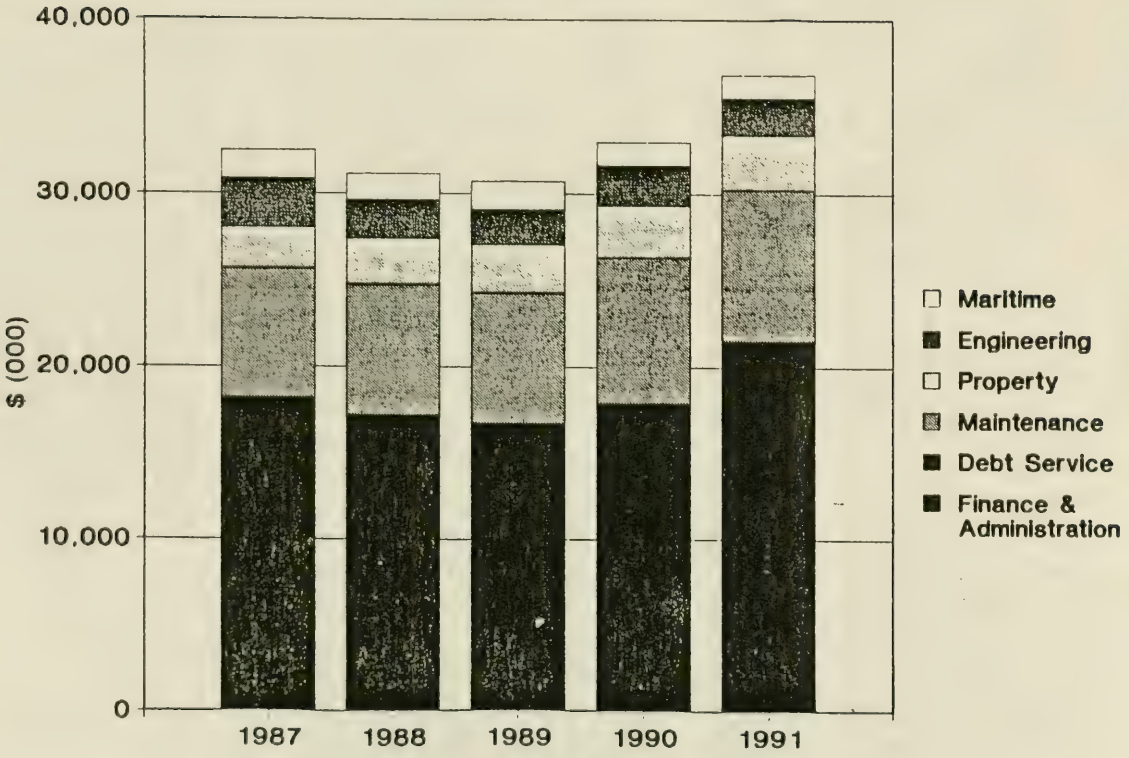
Port of San Francisco

Revenues by Major Classification



Port of San Francisco

Expenditures by Major Function



and cranes received in 1983) and settlement of litigation relating to development of the Ferry Building at a cost of $3.0 million in 1990/91, net income over the five-year period aggregated only $9.1 million, or an average of a little more than $1.8 million per year. Total depreciation charged over this period aggregated $22.5 million and total debt retirement was $18.1 million, meaning that less than $1.0 million per year in cash was generated from depreciation charges in excess of debt retirement.

Debt service coverage on revenue bonds, a measure of the financial health of the Port whose $53,325,000 par value of outstanding revenue bonds are rated A1 by Moody's Investors Service and A- by Standard & Poor's Corporation, has varied from 1.42x in 1990/91 to 2.05x in 1988/89. The minimum coverage required is 1.30x pursuant to Resolution No. 5231 adopted by the Port Commission in 1969 at the time revenue bonds were initially authorized. Such coverage is calculated by (1) subtracting maintenance and operation expenses (before depreciation and debt service on State general obligation bonds assumed at the time the Port was transferred to the City) from revenues and (2) dividing by revenue bond debt service. Total annual debt service gradually declined from $10.4 million in 1986/87 to $9.8 million in 1990/91, $6.4 million of which was attributable to revenue bonds in the latter year.

It must be noted that the two categories of expenses which are of the greatest magnitude, personnel costs and debt service, are not within the direct control of present Port management. Salary levels are set by the City and Charter and Civil Service provisions control firing, replacement, downgrading and pay adjustments. Debt service costs were inherited.

Rentals have contributed a significantly larger percentage of total revenues in recent years than maritime activity. The Port has a complex schedule for commercial rental rates including those for full service office space, ground rental for tenant-built facilities, percentage rentals for restaurants and retail outlets and space rentals for piers and sheds. Some leases are older and of longer term than are now being issued and may have been negotiated during hard times. However, the Port is contractually bound to these less favorable terms and can improve them only as they come up for renewal. New rental rates are set according to the market determined after surveys of comparable space. Certain tenant capital improvements are amortized by percentage rental reductions which do not appear to maximize the tax-exempt borrowing status of the Port. Percentage leases are audited only every three years by the City Controller due to lack of funds and manpower. Such audits, however, have not shown a pattern of revenue loss to the Port. Rents are reported to be reasonably equitable in terms of space leased but inconsistencies arise when comparing, say, Fisherman's Wharf space to similar space leased at Pier 39 which is occupied by tenants under a master lease to the Pier 39 developer.

The following governmental entities lease or rent space at the Port:

- State of California (27,114 sq. ft.)
- Golden Gate Bridge & Highway District (2,006 sq. ft.)
- San Francisco Agriculture Department (2,275 sq. ft.)
- San Francisco Arts Commission (4,100 sq. ft.)
- San Francisco Police Department (336,282 sq. ft.)
- San Francisco Public Utilities Commission (41,830 sq. ft.)
- San Francisco Redevelopment Agency (2,614,690 sq. ft.)
- San Francisco Solid Waste Department (10,000 sq. ft.)
- San Francisco Water Department (3,191 sq. ft.)
- United States Customs Service (1,710 sq. ft.)
- United States Geological Survey (0)
- United States National Park Service (Hyde St. Pier)
- United States Postal Service (39,168 sq. ft.)

Highlights – Revenues

- Wharfage, dockage and demurrage revenues increased 4.6% 1990 to 1991 and grew 23.2% 1987 to 1991

- Property rentals increased 14.7% 1990 to 1991 but grew only 15.6% 1987 to 1991

Highlights – Expenditures

- Expenses grew 14.9% 1987 to 1991 vs. only 12.5% for revenues
- Sustained self-sufficiency is questionable given the need for capital improvements that are not revenue producing
- Port's draft capital improvement plan totals $94 million of which only $15.6 million is funded
- No Commission-approved capital improvement plan is in place
- Deferred maintenance is accruing at the rate of $2.5 million per year but no budget is in place
- Debt service averaged $10.2 million 1987 to 1991 and required 29.0% of average revenues (27.5% in 1991)
- Port payments for other City departments' services averaged 16.3% of total operating expenses 1987 to 1991 and required 10.5% of revenues 1987 to 1991
- Port payments for other City departments' services averaged $15,539 per Port employee 1987 to 1991 and was $17,303 in 1991

Selected Policy Options

- Consider use of tax-supported general obligation bonds for port purposes
  - Especially for non-revenue producing projects such as toxic removal or to meet environmental requirements
- Consider refunding of Port revenue bonds with general obligation bonds
  - Would reduce debt service but should not require tax support
- Consider sharing of Port and Airport staff and services
  - Oakland, Portland, San Diego and Seattle operate combined facilities
- Explore privatization of certain Port functions, e.g. commercial real estate management
- Evaluate Port in light of its contributions to other City departments, either directly for services and overhead or in rentals charged for space
  - What would City lose if the Port were not there?

Port of San Francisco

Recent Events

The earthquake of October 1989 brought significant damage to certain of the Port's physical facilities, particularly the Ferry Building and the commercial fish processing operations at Pier 45, and damage to the Embarcadero Freeway and its subsequent demolition has had an adverse effect on tenants, patronage and parking on land adjacent to or beneath this structure. Through December 27, 1991, Federal and State assistance to the Port totaled $6.3 million as a result of the earthquake. Total damage is estimated at $19 million for the purpose of FEMA applications.

The Port has undertaken two major studies in the past two years, development of its first Strategic Plan completed in April 1990 formally stating its mission and goals and an Organizational Analysis completed in April 1991 which recommended the reorganization of the Port along business lines with accountability for revenues and expenses within operating divisions. The long-term impact of these two studies on the efficient operation of the Port should prove beneficial when fully implemented, but the establishment of goals, the measurement of performance and the building of accountability may detract from realization of noticeable improvement in the near-term.

Proposition "H", a charter amendment approved by the electorate in November 1990, requires preparation of a Waterfront Land Use Plan and effectively prohibits new commercial development of any non-maritime land use until the Waterfront Land Use Plan has been completed and specifically precludes hotel construction as an unacceptable non-maritime land use. An Advisory Board has been appointed to provide maximum feasible public input to the Port Commission as required by Proposition "H", Port staff has been augmented by one full-time Deputy City Attorney with Planning Commission experience and one full-time City Planner to assist the Port Commission in development of the Waterfront Land Use Plan and information gathering is proceeding in an orderly manner. The Planning Commission must hold a public hearing on the Land Use Plan to ensure consistency with the City's Master Plan and both the Port Commission and the Board of Supervisors must approve the Land Use Plan before it will become effective. The estimated timeframe for final action is sometime during 1992/93.

These four events, the 1989 Earthquake, the development of a Strategic Plan, the passage of Proposition "H" and the reorganization of the Port staff, coupled with limited additional revenue bonding capacity given relatively flat revenues and expenditures, has resulted in a virtual cessation of new construction activity in both maritime and commercial areas. "Work in progress" declined from $15.5 million at June 30, 1988 to $3.0 million at June 30, 1991.

The present Executive Director of the Port assumed this position in January 1989 and has been actively involved in the development and implementation of the principal studies noted above. Achievement of the goals of the Strategic Plan and the derivation of financial benefits from the reorganization plan must be attributable to his leadership since he has responsibility for these activities.

In spite of the somewhat negative pallor cast on the Port by the 1989 Earthquake, a diminished U.S. Navy presence because of homeporting and base closure actions and Proposition "H", the decision by Nedlloyd Lines to locate its Pacific transshipment hub operation at the Port represents a meaningful triumph for San Francisco. Increased wharfage and crane rental income of $3.0 million is expected in 1991/92 directly attributable to Nedlloyd's hub activity at the Port. This fortuitous event will help offset declining ship repair revenues which slipped from $3.1 million in 1986/87 to a budgeted $1.7 million in 1991/92. The increased volume of containers handled by Nedlloyd in 1990/91 raised San Francisco from 20th to 13th in the category of international freight among United States ports.

Highlights – Recent Events

- BCDC Policy on Bay fill precludes Port expansion for commercial and recreational purposes
- Environmental concerns associated with dredging and pier reinforcement inhibit efficient use of existing facilities
- New Organizational Plan not formally approved by Port Commission
  - Union resistance to certain job reclassifications and reporting lines
  - 19 of 20 unions have settled
- New organization's emphasis on revenue and expense accountability is based on operating division budgets, not allocation of overhead of Port non-operating divisions or external City costs
- Cost accounting system based on old organizational structure
- Management information system does not produce adequate data, i.e.
  - No complete inventory or survey of Port by parcel size and use
  - Rental reports do not include vacancies
  - Revenue generation by tonnage or commodity type not maintained

Policy Options

- Support Reorganization Plan for Port, provide funds and personnel to modernize accounting and MIS functions, City interface
- Do nothing until Waterfront Use Plan evolves, then aggressively pursue permitted development
- Encourage Land Use Plan to include only those uses that on balance are economically feasible
- Consider repeal of Proposition H and its prohibition against waterfront hotel development
- Review makeup of Port Commission to provide relevant experience and leadership

Peer Ports

Examination of the principal ports on the West Coast reveals that comparable data is difficult to derive and is questionably useful because of the operational, economic and political characteristics of the several jurisdictions involved. For example, the governing bodies of the ports of Oakland, Portland, San Diego and Seattle operate major airports as well as port facilities and their respective revenues are combined for the purpose of revenue bond debt service support in the case of Oakland and Seattle. Moreover, Portland and Seattle both levy taxes for debt service on general obligation bonds issued for harbor development or for port operations. San Diego has exclusively issued only general obligation bonds for capital improvements while each of the others have used revenue bonds.

The two harbors on the West Coast most similar to the Port in terms of their operating characteristics are Long Beach and Los Angeles in that they have no aviation component and no property tax support. However, these two ports are functionally more autonomous and serve a vastly greater population and marketing area than the Port. Moreover, the magnitude of their operations dwarfs those of the Port when measured by tonnage handled, operating revenues, land, vessel arrivals, miles of waterfront and employees.

Physical/Magnitude Comparisons	San Francisco	Long Beach	Los Angeles
Miles of waterfront	7.5	29	28
Employees - 1991	229	291	750
Land, in acres	799	2,019	3,147
Vessel arrivals - 1991	616	5,785	3,302
Metric tons of revenue cargo – 1991 (000)	4,486	72,398	70,900
Operating revenues – 1991 ($000)	33,124	101,294	160,357

The relative importance of maritime/commercial activities among the several ports also makes any direct comparisons with San Francisco difficult. Oakland has over 1,100 acres of land leased for commercial, industrial and recreational use and Seattle has large blocks of industrial land within its jurisdiction. San Diego derives a substantial part of its income from commercial leases including hotels and other facilities located on Harbor Island and Shelter Island. The revenue reporting classifications of the different ports pose analytical problems as evidenced by the following comparisons of major income categories and their percentage of total non-aviation operating income:

Port of San Francisco – 1990/91

Property rentals - commercial	57.0%
Property rentals - maritime	18.2
Wharfage, dockage & demurrage	21.1

Port of Long Beach - 1990/91

Berths & special facilities	88.2%
Rental properties	9.6

Port of Los Angeles - 1990/91

Shipping services	69.3%
Rentals	27.5
Royalties, fees, other	3.2

Port of Oakland - 1990/91

Maritime	82.1%
Properties	17.9

Port of San Diego - 1990/91

Property operations	85.7%
Marine operations	14.3

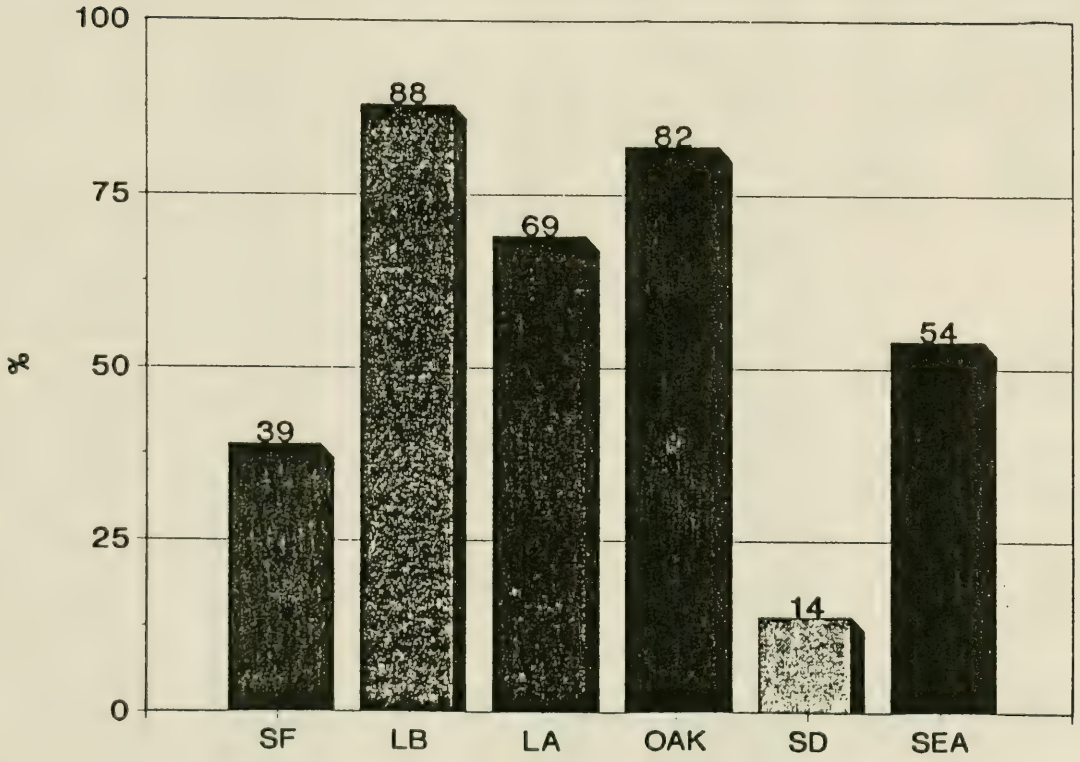
Port of Seattle - Calendar 1990

Property rentals	45.4%
Marine & transportation services, equipment rental, other	42.2
Wharfage, dockage, berthage & moorage	12.4

There are statistical measures of performance that are used by several of the ports to gauge their efficiency such as shipping revenue per ton or shipping revenue per acre devoted to shipping. Such ratios are probably useful in evaluating trends at a particular port if uniformly calculated over time, but are not necessarily revealing in a comparative analysis because of the components of revenue or tonnage in the equation. In the examples below, shipping revenue for San Francisco is assumed to have been derived from income attributable to dockage, wharfage, demurrage, crane rental and cargo facilities, for Long Beach from the reporting category "berths and special facilities" and for Los Angeles from the reporting category "shipping services".

Peer Ports

Maritime Related Revenue Sources - 1991



Average Shipping Revenue/Ton

Port of San Francisco	1987/88	1988/89	1989/90	1990/91
Shipping revenue ($000)	8,332	8,426	9,175	10,592
Total metric tons (000)	3,159	3,110	3,233	5,159
Shipping revenue/ton ($)	2.64	2.71	2.84	2.05
Port of Long Beach				
Shipping revenue ($000)	81,837	85,116	90,606	89,386
Total metric tons (000)	63,597	68,890	74,762	72,398
Shipping revenue/ton ($)	1.29	1.24	1.21	1.23
Port of Los Angeles				
Shipping revenue ($000)	101,353	101,086	103,780	111,060
Total metric tons (000)	60,600	66,305	67,895	70,900
Shipping revenue/ton ($)	1.67	1.52	1.53	1.57

Shipping revenue per ton varies significantly depending upon the commodity shipped, for example, with automobiles producing $24.00/ton for Long Beach but only $4.81/ton for Los Angeles last year. Conversely, general cargo produced $2.33/ton for Los Angeles but only $1.76/ton for Long Beach and liquid bulk produced $0.44/ton and $0.26/ton, respectively. Long Beach received $2.03/ton for dry bulk while Los Angeles generated only $1.00/ton. The mix of cargo handled obviously will distort the average revenue per ton and may be expected to vary from year to year. Statistical data relating to revenues by type of cargo is not available from the Port.

The concept of shipping revenue per acre has similar shortcomings as a ratio for comparative purposes. Using Long Beach and Los Angeles as examples, acreage devoted to shipping as a percentage of total acreage owned was as follows in 1990/91:

	Long Beach	Los Angeles
Acres owned	2,019	3,147
Acres in shipping	952	1,526
% in shipping	47.1%	48.5%

Average shipping revenue per acre was $93,893 for Long Beach and $72,779 for Los Angeles. By commodity, the differences were significant with Long Beach deriving $248,500 per acre for liquid bulk compared to $35,300 for Los Angeles, $187,000 per acre by Long Beach for dry bulk compared to $37,600 per acre for Los Angeles and $50,000 per acre by Long Beach for automobiles compared to $26,900 per acre for Los Angeles. Only in general cargo did Los Angeles lead, $111,300 per acre to $85,400 per acre for Long Beach.

San Francisco derived total operating revenues in 1990/91 of $33,124,000 which translates to $41,457 for each of its 799 acres. This average compares with total operating revenues per acre of $50,170 for Long Beach and $50,956 for Los Angeles, or about 80% of the two Southern California averages. Based upon an approximation of one-third of the Port's acreage devoted to shipping activity, shipping revenue of $10,592,000 produced shipping revenue per acre of $39,820 in 1990/91, or 45.3% below the figure for Los Angeles and 57.6% below the figure for Long Beach. The Port does not maintain data on acreage (or square footage) by usage other than in broad categories not suitable for comparison with Long Beach or Los Angeles.

Operating Results

The diversity of port operations gives rise to variations in operating expenses and to difficulty in deriving useful comparisons. However, common to all enterprise functions, municipal or otherwise, is the concept of operating income or the result of deducting operating expenses from operating revenues. By most standards, depreciation is treated as an operating expense, although not a cash charge, and the resulting operating income is thus after depreciation. Because the basis for depreciation differs among ports depending upon when assets were acquired and their cost at the time, depreciation is often excluded when calculating operating ratios or operating margins and has been in the examples which follow, taken from audited financial statements.

Operating Results
($000)

Port of San Francisco	1986/87	1987/88	1988/89	1989/90	1990/91
Operating revenues	29,457	29,745	30,532	29,610	33,124
Operating expenses	23,155	21,762	20,841	22,934	26,237
Operating income	6,302	7,983	9,691	6,676	6,887
Port of Long Beach					
Operating revenues	87,802	89,867	95,502	101,494	101,294
Operating expenses	22,537	25,168	25,491	25,092	25,272
Operating income	65,265	64,699	70,011	74,402	76,022
Port of Los Angeles					
Operating revenues	127,621	146,256	149,547	153,641	160,357
Operating expenses	52,168	51,280	58,284	59,233	64,748
Operating income	75,453	94,976	91,263	94,408	95,609

Over the five-year period shown, for the Port operating revenues increased 12.5%, operating expenses before depreciation increased 13.3% and operating income increased only 9.3%. For Long Beach, revenues increased 15.4%, expenses increased 12.1% and operating income increased 16.5%. Los Angeles had increased revenues of 25.7%, increased operating expenses of 24.1% and increased operating income of 26.7%.

Using the above operating data and net capital assets and total assets taken from the audited financial statements, certain ratios have been calculated to show the return on investment ("ROI"), operating margins and operating ratios as defined in the table.

Peer Operating Comparisons

Port of San Francisco	1986/87	1987/88	1988/89	1989/90	1990/91
Operating ROI	3.5%	4.2%	5.3%	3.7%	3.7%
Operating Margin	21.4	26.8	31.7	22.6	20.8
Operating Ratio	78.6	73.2	68.3	77.4	79.2
ROI "A"	2.6	8.3	3.0	2.0	0.7
ROI "B"	.9	6.7	1.2	.0	(1.4)
Port of Long Beach					
Operating ROI	16.4	16.1	17.9	15.6	15.5
Operating Margin	74.3	72.0	73.3	75.2	75.1
Operating Ratio	25.7	28.0	26.7	24.7	24.9
ROI "A"	9.7	9.7	9.9	7.7	7.1
ROI "B"	7.0	7.0	7.3	5.8	5.5
Port of Los Angeles					
Operating ROI	14.6	17.3	14.4	15.0	14.6
Operating Margin	59.1	64.9	61.0	61.4	59.6
Operating Ratio	40.9	35.1	39.0	38.6	40.4
ROI "A"	9.8	10.8	9.8	9.8	9.1
ROI "B"	7.9	8.9	7.7	7.6	7.0

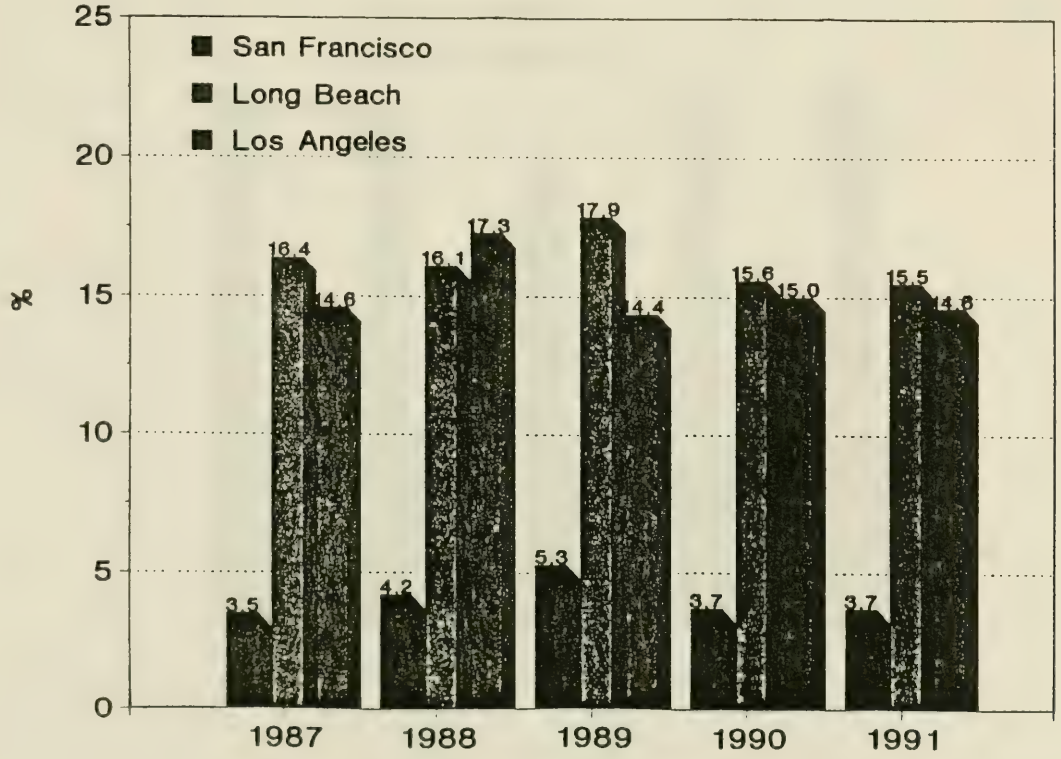
Operating ROI	=	net operating income (before depreciation and amortization) + net capital assets (no work in progress)
Operating Margin	=	net operating income (before depreciation and amortization) + operating revenues
Operating Ratio	=	operating expenses (before depreciation and amortization) + operating revenues
ROI "A"	=	net income + total assets
ROI "B"	=	net income minus depreciation + total assets

It is rather clear that the Port's operating margins have been considerably worse than those of Long Beach and Los Angeles meaning that the Port's net operating income is a much smaller percentage of its operating expenses than for the Southern California ports. The Port's reciprocal operating ratio is likewise much higher than Long Beach or Los Angeles and indicates that operating expenses are relatively high compared to operating revenues. The several ROIs reflect income as a percentage of assets or the return on the investment in plant that has been made to generate revenues. By any measure, the Port's performance is significantly below that of Long Beach or Los Angeles. Indicative of the difficulty in developing comparable data, however, is Note 1 to the Port's financial statements which indicates that the value of land transferred by the State in 1969 includes an increase over historical cost of $56.1 million reflecting appraised values in 1929. If the Port's assets are reduced to account for this reappraisal, operating ROI in 1990/91 would be 5.3%, ROI "A" would be 0.9% and ROI "B" would be (1.84%), still well below the returns of Long Beach and Los Angeles.

Another performance measure is to indicate operating results on a per-employee basis. Again, because of organizational variations and political considerations, such comparisons may not be valid among different ports, but they are indicative of trends within the same port.

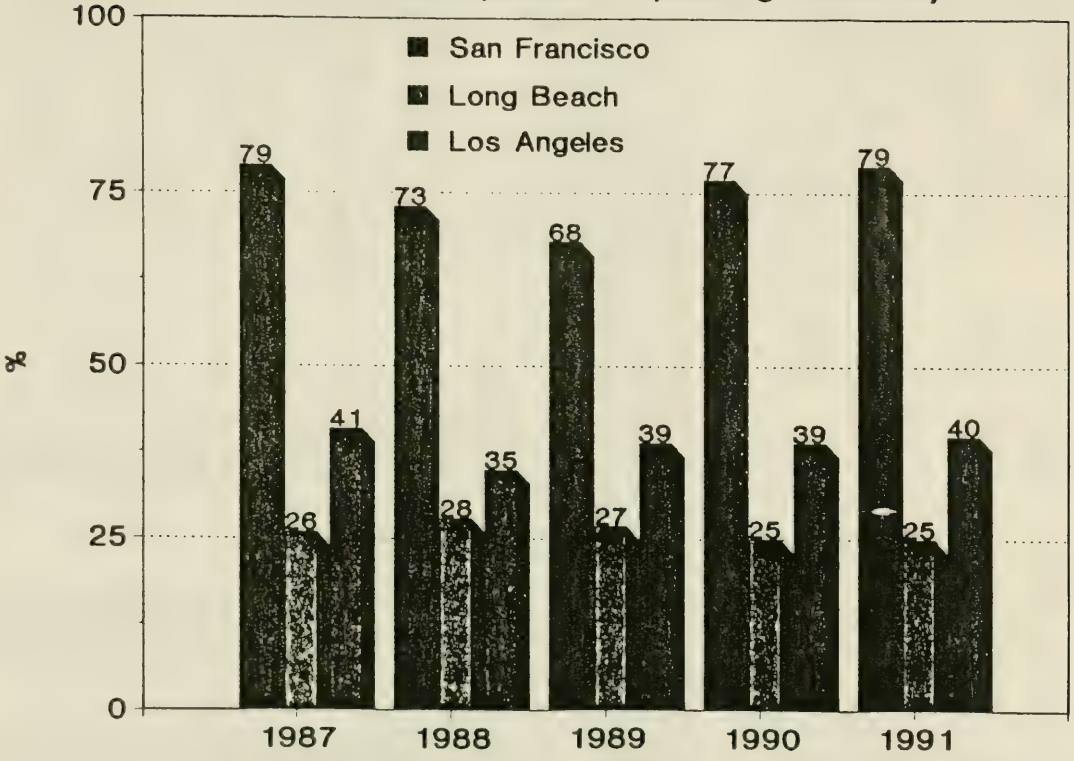
Peer Ports

Operating Return on Investment Comparisons
(Net Operating Income Before Depreciation / Net Capital Assets Excluding Work in Progress)



Peer Ports

Operating Ratio Comparisons
(Operating Expenses / Operating Revenues)



Peer Employee Comparisons

Port of San Francisco	1986/87	1987/88	1988/89	1989/90	1990/91
Number of employees	250	232	235	234	234
Operating revenues/employee ($)	117,828	128,211	129,923	126,538	141,556
Operation & maintenance/employee ($)	86,008	86,401	81,702	89,444	103,196
Operating income/employee ($)	31,820	41,810	48,221	37,094	38,360
Port of Long Beach					
Number of employees	282	279	287	281	291
Operating revenues/employee ($)	311,355	322,104	332,760	361,189	348,089
Operation & maintenance/employee ($)	140,177	156,520	160,537	165,715	153,237
Operating income/employee ($)	171,178	165,584	172,223	195,474	194,852
Port of Los Angeles					
Number of employees	702	707	724	751	750
Operating revenues/employee ($)	181,796	206,868	206,557	204,582	213,809
Operating & maintenance/employee ($)	96,665	96,956	110,544	108,451	117,400
Operating income/employee ($)	85,131	109,912	96,013	96,131	96,409

Compensation

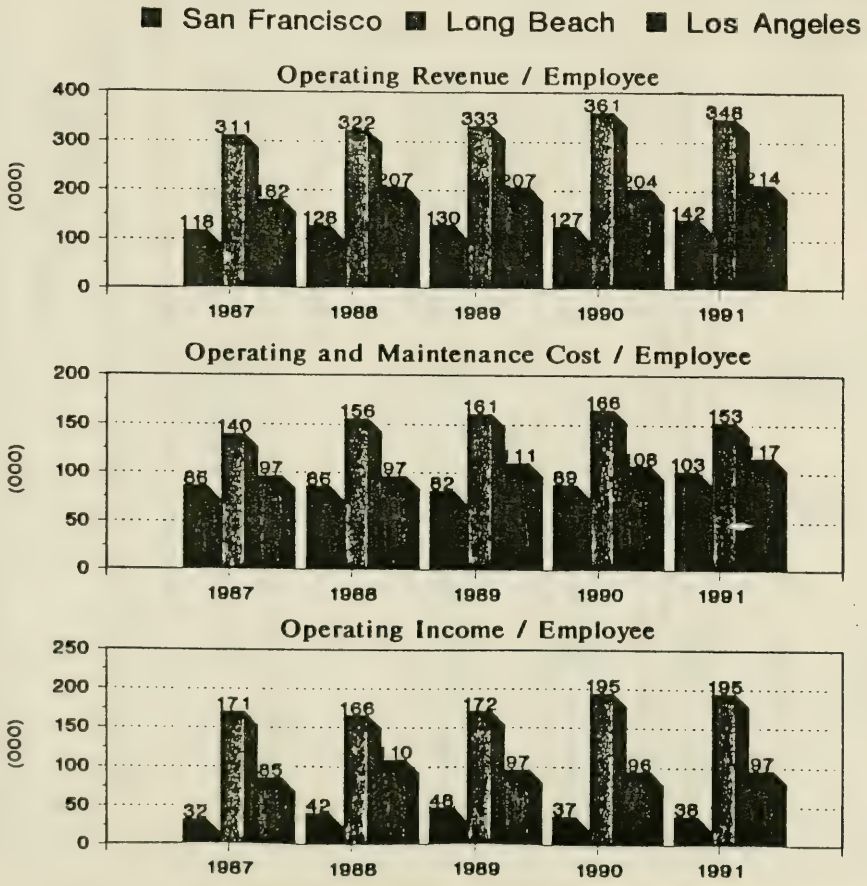
Compared to the Port of Los Angeles, Port personnel appear to be paid relatively larger salaries. While salary classifications and job descriptions undoubtedly differ somewhat between the two cities, a review of the 1989/90 salary range used by Los Angeles for 1990/91 budget purposes and the 1990/91 approved salaries for the Port indicates that, in general, San Francisco pay scales for apparently similar positions are higher as may be seen from the examples which follow:

Position	Mid-Range San Francisco	Mid-Range Los Angeles	Difference
Sheet Metal Worker	$58,292 *	$43,117	$15,175
Electrical Engineer	57,766	62,881	(5,115)
Plumber	54,990 *	43,848	11,142
Chief Surveyor	54,704	53,129	1,575
Maintenance Machinist Supervisor	53,924	45,870	8,054
Electrician	53,378 *	42,908	10,470
Pileman	53,118 *	42,095	11,023
Construction Inspector	49,868	40,998	8,870
Associate Civil Engineer	49,868	46,699	3,169
Chief Wharfinger	48,178	49,413	(1,235)
Carpenter	46,656	38,983	7,673
Public Relations Representative	44,798	39,265	5,533
Roofer	42,276	36,519	5,757
Maintenance Machinist	41,678	36,464	5,214
Painter	41,678	39,484	2,194
Programmer Analyst	40,118	47,909	(6,972)
Management Assistant/Aide	38,220	28,940	9,280
Metalsmith	37,154	43,117	(5,963)
Wharfinger	32,318	34,295	(1,977)
Accountant	31,278	27,906	3,372
Senior Clerk-Typist	27,352	27,060	292
Accounting Clerk	25,844	27,906	(2,062)
Clerk-Typist	24,986	21,945	3,041

* Enter at Step 5 per salary standardization ordinance

Peer Ports

Operating Statistics per Employee



Because of the different organizational structure of the two ports, many job classifications in the upper managerial levels do not appear comparable. Of the five highest paid Port positions, only two had a direct counterpart in Los Angeles.

Position	Range San Francisco	Range Los Angeles
Chief Harbor Engineer	$73,710 - 90,285	$73,331 - 91,099
Chief Financial Officer		74,562 - 92,624
Second Deputy Gen. Mgr. (1988/89)		82,852 - 102,938
First Deputy Gen. Mgr. (1988/89)		87,487 - 108,701
Traffic Manager		88,260
Director Maritime	80,418 - 98,512	
Director, Planning & Research	80,418 - 98,512	
Director, Property & Finance	80,418 - 98,512	
Port Director	98,774 - 120,562	128,412

Taking the mid-range salary scale for Los Angeles and ignoring any adjustment that might have been made to the two 1988/89 position levels, total compensation of the five highest paid Los Angeles employees in 1990/91 would have been $491,254 and the average would have been $98,251. For the Port, the total was $460,060 and the average was $92,012.

For 1990/91, total salaries for the Port of Los Angeles were $29.4 million, or an average of $39,252 for each of its 750 employees. For the Port, the 1990/91 salary total was $11.0 million for an average of $48,162 for each of its 228 employees. The resulting average Port salary was 22.7% higher than the average for Los Angeles.

Salary standardization, which has been deferred for two years now, is slated to become effective in 1992/93. Based upon past history, such standardization results in an increase in most salary classifications for Port personnel.

Highlights – Peer Port Comparisons

- No two ports are strictly comparable
- Statistical data and ratios are useful in evaluation of performance over time but not for comparative purposes with other ports
  - San Francisco does not maintain data that other ports do
- Reorganization of Port renders historical data marginally useful
- Long Beach and Los Angeles selected from among West Coast ports as peers for following reasons:
  - No aviation activity
  - No property tax support
- Relating the Port to Long Beach and Los Angeles, the Port is less autonomous, smaller in size and market area, number of employees, miles of waterfront, vessels calling, tons of cargo handled and operating revenues
- The Port derives higher shipping revenue per ton than either Long Beach or Los Angeles ($2.05 vs. $1.23 and $1.57, respectively, in 1991)
- The Port has a smaller percentage of land devoted to shipping than either Long Beach or Los Angeles (perhaps 1/3 vs. 47-48%)

- The Port derived shipping revenue per vessel calling of $17,195 in 1991 vs. $15,451 for Long Beach and $33,634 for Los Angeles

- The Port derives less total revenue per acre ($41,457 in 1991) and less shipping revenue per acre ($39,820 in 1991) than either Long Beach or Los Angeles do in shipping revenue per acre ($93,893 and $72,779, respectively)

- The Port is below Long Beach and Los Angeles in operating Return on Investment (3.7% in 1991 vs. 15.5% and 14.6%, respectively)

- The Port's operating margin (net operating income + operating revenues) averaged 24.7% 1987 to 1991 vs. 74.0% for Long Beach and 61.2% for Los Angeles

- The Port's average return on investment 1987 to 1991 measured by dividing net income by total assets was 3.3% vs. 8.8% for Long Beach and 9.9% for Los Angeles

- Operating revenues per employee averaged $128,811 for the Port 1987 to 1991 vs. $355,099 for Long Beach and $202,722 for Los Angeles

- Operating income per employee averaged $39,461 for the Port 1987 to 1991 vs. $179,862 for Long Beach and $96,917 for Los Angeles

- Average compensation per Port employee in 1991 was $48,162 vs. $39,252 for Los Angeles, or 22.7% higher

Policy Option

- Provide leadership for evaluation of economic benefits of cooperative regional merger of maritime activities and facilities

Port of San Francisco

Shipping Statistics

In the chart and tables which follow, data is presented on maritime activity at the Port to indicate the volume of cargo handled, principal commodities shipped, West Coast market share, most important trade routes and the value of tonnage on these routes. It should be noted that

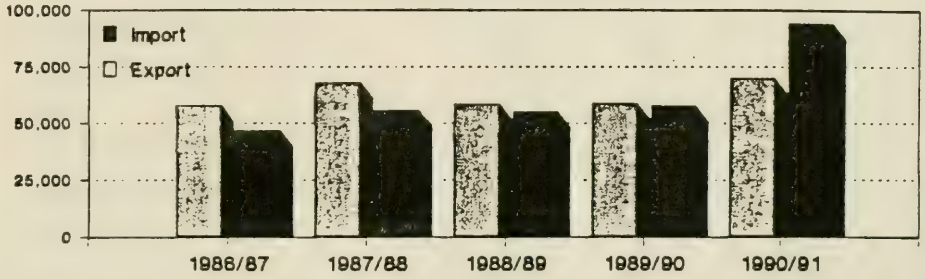
- Most data are for calendar rather than fiscal years
- Tonnage relates only to international trade, not domestic
- TEUS means 20-foot equivalent units, the standard measurement for containers
- Liner data is for regularly scheduled vessels and excludes tramp and tanker ships

Highlights – Shipping

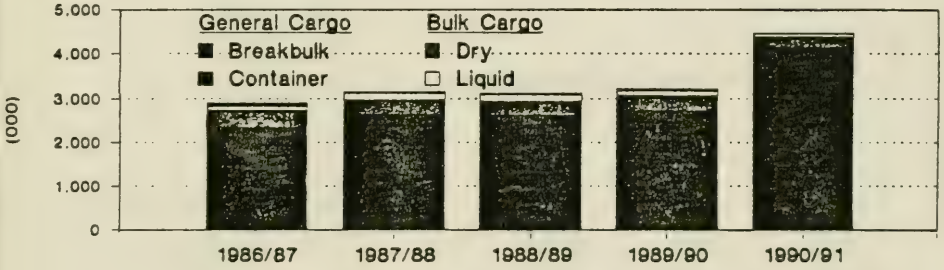
- Containerized cargo throughput increased 40.3% 1989 to 1990 and grew 57.2% 1987 to 1990
- Total tonnage increased 38.8% 1989 to 1990 and grew 54.7% 1987 to 1990
- Port's highest West Coast liner market share is in the importing of cocoa and coffee, approaching 50% in both cases in 1989 and 1990
- Port's highest West Coast liner share for exports was 15.4% in 1990 for preserved and prepared fruit followed by waste ferrous scrap, 13.5%
- Of the five largest West Coast liner import commodities, the Port's best showing was for furniture and bedding but was only 1.4% in 1989 and 1.3% in 1990
- Of the five largest West Coast liner export commodities, the Port had 4.4% of animal feed in 1989 and 3.6% of cotton textile fibers in 1990
- Overall, the Port had 2.7% of total West Coast liner imports and exports in 1990 compared to 2.5% in 1989
- The Port's best trade route was the Far East in 1989 and 1990 but it had only 1.3% of total West Coast liner import tonnage in 1990 and 2.4% of export tonnage
- Port's largest West Coast liner export market share was 25% to Central America in 1990
- Port's highest average value per ton in 1989 was exports to South America at $4,676
- Port's highest average value per ton in 1989 of imports was $5,805 from Northern Europe

Port of San Francisco

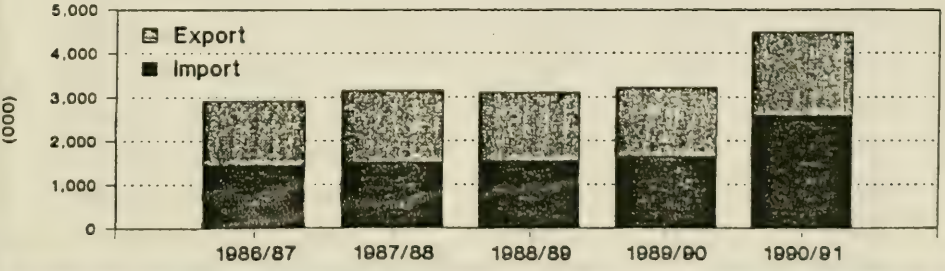
Containerized Cargo Thruput (TEUS)



Metric Revenue Tons



Metric Revenue Tons



Top 10 and Total Port Liner Imports and West Coast Market Share

Rank	Commodity	Calendar 1989 Tons	Market Share	Calendar 1990 Tons	Market Share
1	Coffee & coffee substitute	77,160	49.6%	68,531	40.7%
2	Meat, bovine	18,829	8.5	30,776	12.1
3	Rice	16,246	18.7	21,066	20.1
4	Vegetables, roots & tubers	23,743	14.5	18,447	12.9
5	Alcoholic beverages	14,039	4.4	16,889	4.6
6	Cocoa	10,511	47.8	14,130	53.6
7	Lime, cement & fabricated	4,197	3.3	13,058	8.4
8	Edible products & preparations	10,231	13.3	12,577	12.3
9	Paper & paperboard	14,826	5.6	10,233	3.6
10	Feed for animals	27	0.1	9,417	38.1
	Total Port Liner Imports	449,960	2.4%	505,970	2.7%
	Total West Coast Imports	18,979,908		18,837,579	
	West Coast Percent increase				(0.7)
	Port Percent Increase				12.5

Top 10 and Total Port Liner Exports and West Coast Market Share

Rank	Commodity	Calendar 1989 Tons	Market Share	Calendar 1990 Tons	Market Share
1	Pulp & waste paper	77,608	2.5%	83,557	2.8%
2	Cotton textile fibers	45,358	3.9	58,909	3.6
3	In transit cargo	112	0.6	39,051	65.6
4	Veneers, plywood, particleboard	13,656	3.1	36,969	7.4
5	Feed for animals	65,659	4.4	32,944	2.1
6	Fruit & nuts	23,730	2.3	26,582	2.4
7	Metallic & peroxy salts	9,877	3.1	23,357	6.6
8	Ferrous waste & scrap	30,289	12.8	21,211	13.5
9	Non-ferrous base metal waste	26,018	5.2	19,450	4.6
10	Fruit preserved, fruit prepared	4,376	11.3	17,566	15.4
	Total Port Liner Exports	588,992	2.6%	594,095	2.7%
	Total West Coast Liner Exports	22,555,022		22,219,547	
	West Coast Percent Increase				(0.2)
	Port Percent Increase				0.8

Top Five West Coast Liner Imports and Port Market Share

Rank	Commodity	Calendar 1989 Tons	Market Share	Calendar 1990 Tons	Market Share
1	Parts & accessories	1,176,654	0.9%	1,730,391	0.2%
2	Baby carriages, toys, games	860,112	0.6	826,603	1.1
3	Furniture & parts, bedding	619,076	1.4	548,807	1.3
4	Articles, plastic	407,688	1.0	448,122	1.3
5	Nails, screws, nuts, etc.	452,273	1.0	422,064	1.3

Top Five West Coast Liner Exports and Port Market Share

Rank	Commodity	Calendar 1989 Tons	Market Share	Calendar 1990 Tons	Market Share
1	Pulp & waste paper	3,131,809	2.5%	3,037,888	2.8%
2	Feed for animals	1,498,156	4.4	1,599,507	2.1
3	Paper & paperboard	1,428,341	1.3	1,350,624	0.5
4	Cotton textile fibers	1,148,985	3.9	1,271,973	3.6
5	Wood, simply worked	1,335,007	0.3	1,153,226	0.4

Top Five Port Liner Import Trade Routes and West Coast Market Share

Rank	Trade Route	Calendar 1989 Tons	Market Share	Calendar 1990 Tons	Market Share
1	Far East	159,241	1.2%	172,457	1.3%
2	South America	81,881	16.7	106,939	19.8
3	South East Asia	56,717	2.8	71,835	3.3
4	Australia	62,726	9.4	55,639	8.1
5	Northern Europe	31,375	2.0	40,581	2.7

Top Five Port Liner Export Trade Routes and West Coast Market Share

Rank	Trade Route	Calendar 1989 Tons	Market Share	Calendar 1990 Tons	Market Share
1	Far East	392,781	2.3%	393,241	2.4%
2	South East Asia	66,358	3.1	82,047	3.5
3	Australia, New Zealand	84,959	8.2	68,667	7.7
4	Central America	13,224	18.1	19,381	25.0
5	South America	11,353	5.3	12,036	7.1

Highest Dollar/Ton Value of Imports
California Ports – Calendar Year 1989

San Francisco

Trade Route	Tons	Value (000)	Value/Ton
Northern Europe	53,525	$310,714	$5,805
Far East	164,302	719,217	4,377
Mediterranean	24,484	55,679	2,274
Total Imports	1,154,278	$1,709,276	$1,481

Long Beach

Trade Route	Tons	Value (000)	Value/Ton
Africa	7,300	$42,819	$5,866
Far East	5,458,754	27,426,744	5,024
Other Asia	64,667	205,667	3,179
Total Imports	9,607,786	$33,177,800	$3,453

Los Angeles

Trade Route	Tons	Value (000)	Value/Ton
Far East	6,471,738	$35,281,056	$5,452
Other Asia	235,451	745,951	3,168
Northern Europe	1,657,057	720,368	2,300
Total Imports	12,303,141	$43,637,185	$3,547

Oakland

Trade Route	Tons	Value (000)	Value/Ton
Far East	1,227,862	$ 7,459,646	$6,075
South East Asia	324,155	1,237,163	3,817
Other Asia	35,492	93,090	2,646
Total Imports	2,507,227	$10,172,139	$4,057

Highest Dollar/Ton Value of Exports
California Ports – Calendar Year 1989

San Francisco

Trade Route	Tons	Value (000)	Value/Ton
South America	12,711	$59,442	$4,676
Africa	1,087	3,544	3,260
Australia	93,358	263,291	2,820
Total Exports	876,247	$888,554	$1,014

Long Beach

Trade Route	Tons	Value (000)	Value/Ton
Arabian Gulf	13,030	$54,957	$4,218
Mediterranean	100,216	144,852	1,445
South East Asia	690,125	694,212	1,006
Total Exports	11,690,675	$9,115,634	$780

Los Angeles

Trade Route	Tons	Value (000)	Value/Ton
Australia	618,174	$1,923,729	$3,112
Mediterranean	42,448	104,215	2,445
South East Asia	846,083	1,040,533	1,230
Total Exports	10,220,466	$11,433,086	$1,119

Oakland

Trade Route	Tons	Value (000)	Value/Ton
Africa	3,122	$11,191	$3,584
South East Asia	469,809	1,070,375	2,278
Northern Europe	332,865	731,451	2,197
Total Exports	4,174,354	$6,156,904	$1,475

PORT OF SAN FRANCISCO

Mayor's Fiscal Advisory Committee

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1					DEPARTMENT TREND ANALYSIS										
2	Dept # 39				Workload, Staffing, Revenue & Expense 1987–96						Prepared by:			Date:	
3	Dept Name: PORT							Avg%							Avg%
4					ACTUAL			Annual				FORECAST			Annual
5	Fiscal Years Ending June 30th:		1987	1988	1989	1990	1991	Growth		1992	1993	1994	1995	1996	Growth
6	WORKLOAD DATA							(CAGR)							(CAGR)
7		A.													
8		B.													
9		C.													
10		D.													
11		E.													
12															
13	STAFFING (FTE Basis)														
14		A. Officials & Administrators	10	9	12	10	9	−0.8%		14	14	14	14	14	0.0%
15		B. Professionals	43	45	52	55	55	6.5%		58	59	60	61	62	1.7%
16		C. Technicians	11	6	10	9	10	5.6%		10.5	11.5	13	14	15	9.4%
17		D. Protective Services													
18		E. Paraprofessionals	1	1	1	1	1	0.0%		1	1	1	1	1	0.0%
19		F. Office/Clerical	44	42	40	39	39	−3.0%		38	38	38	38	38	0.0%
20		G. Skilled Craft	76	67	64	66	66	−3.3%		68	68	68	68	68	0.0%
21		H. Service/Maintenance	60	57	51	49	49	−4.9%		43	43	43	43	43	0.0%
22		X. Elected/Exempt	5	5	5	5	5	0.0%		5	5	5	5	5	0.0%
23		TOTAL STAFFING	250	232	235	234	234	−1.6%		237.5	239.5	242	244	246	0.9%
24															
25	STAFFING RATIOS														
26		Professionals (B) per manager (A + X)	2.9	3.2	3.1	3.7	3.9	8.0%		3.1	3.1	3.2	3.2	3.3	1.6%
27		Support empl. (C–H) per Professional (B)	4.5	3.8	3.2	3.0	3.0	−9.4%		2.8	2.7	2.7	2.7	2.7	−0.9%
28															
29	REVENUE TRENDS (Actual & Forecast)							Avg%							Avg%
30	(Amounts in $000)				ACTUAL			Annual				FORECAST			Annual
			1987	1988	1989	1990	1991	Growth		1992	1993	1994	1995	1996	Growth
31		Fed'l and State Govt sources 6000–6599	2	–	–	–	–								
32		User fees 7000–8999	–	–	–	15	–								
33															
34		Enterprise depts: charges, fees 9000–9399	29,555	29,725	30,110	29,814	32,287	2.3%		34,414	36,231	38,050	39,950	41,950	5.1%

PORT OF SAN FRANCISCO

Mayor's Fiscal Advisory Committee

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
35	(Amounts in $000)							Avg%							Avg%
36					ACTUAL			Annual				FORECAST			Annual
37	REVENUE TRENDS (Continued)		1987	1988	1989	1990	1991	Growth		1992	1993	1994	1995	1996	Growth
38		Interest & investment income 5400–5405	7,457	4,526	4,461	4,151	3,398	−16.5%		3,958	2,568	2,600	2,700	2,800	−6.6%
39		Revenue from use of property 5411–5419													
40		Transfers from other City depts 9990													
41		Large special items (See instructions)													
42		All other revenue sources													
43		TOTAL Dept Revenue*	37,012	34,251	34,571	33,965	35,685	−0.8%		38,372	38,799	40,650	42,650	44,750	3.9%
44															
45	EXPENDITURE TRENDS (Actual & Forecast)														
46		Permanent salaries 001–005	7,676	8,222	8,763	10,081	10,464	8.1%		11,542	11,916				
47		Holiday, overtime, differential pay 010–019	352	356	285	365	485	10.5%		167	276				
48		Temporary salaries 020,030	392	251	59	116	32	−22.1%		43	53				
49		Mandatory fringes & health svce 060–071	2,408	2,393	2,401	2,883	2,953	5.6%		3,025	3,209				
50		Subtotal, Pay and benefits	10,828	11,222	11,508	13,445	13,934	6.7%		14,777	15,454	16,400	17,450	18,550	5.9%
51		Professional services 100–105	1,159	800	1,167	1,161	1,320	7.0%		1,454	1,377	1,400	1,500	1,600	2.5%
52		Other Contractual services 040, 106–109	1,964	1,483	573	804	567	−18.8%		503	684	700	750	800	13.0%
53		Telephone 123	–	65	60	195	133	61.8%		113	142	160	170	180	12.6%
54		Rental of property & equipment 146	–	–	–	–	–			–	–	–	–	–	
55		Material & supplies 130	995	799	1,074	1,056	942	0.6%		850	1,146	1,000	1,000	1,000	5.5%
56		Large special items (See instructions)	166	243	133	99	3,117	756.0%		54	54	100	100	100	21.3%
57		Other depmt'al expense (See instructions)	2,629	2,813	2,579	2,698	2,878	2.5%		3,016	3,424	3,700	4,050	4,450	10.2%
58		Chgs fm other City depts 300–389; 410–460	4,127	3,357	3,427	3,470	4,049	0.3%		4,331	4,607	4,950	5,250	5,650	6.9%
59		Subtotal, Operating expenses	21,868	20,782	20,521	22,926	26,940	5.6%		25,098	26,886	28,410	30,270	32,330	6.5%
60		Capital Projects 202–203	–	–	–	–	–								
61		Debt Service 401–403	10,405	10,328	10,238	10,076	9,814	−1.4%		9,668	9,568	9,506	9,424	9,102	−1.5%
62		Purchase of property and quipmt 220–235	375	214	54	93	226	24.9%		403	377	400	400	400	−0.1%
63		Total Debt Expenditures (Gross)	32,648	31,324	30,813	33,095	36,982	3.4%		35,169	36,853	38,316	40,094	41,832	4.4%
64		Less: Interdepartmental recovery 390	–	–	–	–	–								
65		TOTAL Dept Expenditures*	32,648	31,324	30,813	33,095	36,982	3.4%		35,169	36,853	38,316	40,094	41,832	4.4%
66															
67	GEN'L FUND SUBSIDY (Line 65 minus L 43)		0	0	0	0	0			0	0	0	0	0	
68	* Actual Data comes from the ACTUAL column (the far left column) of Budget Reports for a later year.														

PORT OF SAN FRANCISCO

Mayor's Fiscal Advisory Committee

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
69								Avg%							Avg%
70					ACTUAL			Annual				FORECAST			Annual
71			1987	1988	1989	1990	1991	Growth		1992	1993	1994	1995	1996	Growth
72	PERFORMANCE MEASURES							(CAGR)							(CAGR)
73	(Amounts in $)														
74		A. Average comp (pay & benefits) per FTE	43,312	46,371	46,970	57,457	59,548	8.5%		62,219	64,526	67,219	71,516	75,406	4.9%
75		B. Avg Non-Personnel cost per FTE	43,496	40,159	37,787	40,094	42,261	-0.5%		43,457	47,741	49,626	52,540	56,016	6.6%
76		(Excluding line 56 above)													
77		C. Dept operating exp (line 59) per FTE	87,472	89,578	87,323	97,974	115,126	7.4%		105,676	112,267	117,397	124,057	131,423	5.6%
78		D. Actual % chg in avg comp per FTE	-1.9%	11.7%	1.2%	17.3%	1.3%	4.7%							
79		E. Forecast % chg in avg comp per FTE								4.5%	3.7%	4.2%	6.4%	5.4%	8.1%
80		F.													
81		G.													
82		H.													
83		I.													
84		J.													
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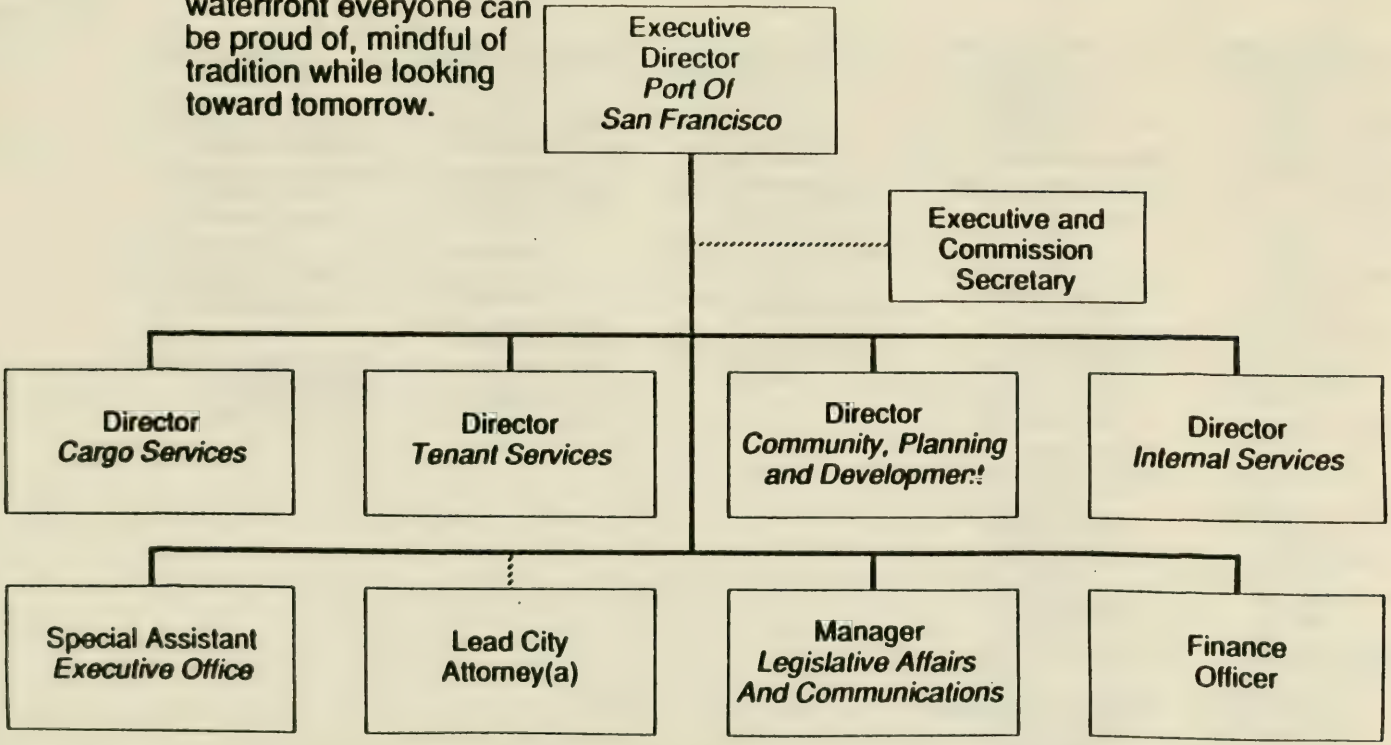
101		Note: Do not enter data in CALCULATED cell areas, which are shaded like this---------->													

Port Of San Francisco
Stakeholder Organization

- Mission: Responsible for creating a balanced and diverse waterfront everyone can be proud of, mindful of tradition while looking toward tomorrow.



(a) Lead City Attorney reports to the City Attorney's office and also has a dotted-line relationship with the Port Commission.

Port of San Francisco
Organization & Responsibilities 1992/93

	Cargo Services	Tenant Services	Community Planning & Development	Internal Services	Executive
Budget Request:	$4,780,000	$9,945,000	$1,995,000	$7,208,000	$13,620,000
Employees:	50	78	19	95	11
Duties:	1) Sales, marketing & promotions 2) Customer service 3) Billing & collection of past-due accounts 4) Facilities management & maintenance 5) Crane maintenance 6) Engineering 7) Facility planning & project management 8) Inspections 9) Management of non-maritime facilities leased by shipping lines & shippers	1) Leasing, marketing & promotions 2) Customer service 3) Billing & collection of past-due accounts 4) Management & maintenance of facilities & public areas 5) Inspections 6) Engineering/ permitting 7) Garbage pickup & street cleaning 8) Development & updating of property maps	1) Land use planning 2) Community relations 3) Regulatory regulations & permitting 4) Development project management & inspection 5) Environmental project management 6) Hazardous waste control & disposal 7) Asbestos regulations compliance program	1) Office services including purchasing, materials management, mail service & receptionist service 2) Management information services including systems training, programming support, hardware & database administration, management of the Port's migration to the Oracle System and integration thereof into City-wide network. 3) Employee services including training and safety programs, employee participation & communications programs, human resource administration, AA/EEO programs & payroll 4) Labor negotiation support 5) Maintenance of Port infrastructure & public areas 6) Accounting services in-	1) Special Assistant • Coordination of on-going Port-wide strategic & technology training • Coordination of special projects • Commission support 2) Legislative affairs & communications • Legislative fund-raising • Liaison with local, state & federal legislative representatives • Governmental fund-raising • Press relations • Port-wide promotional communications (including publications) 3) Finance • Port-wide financing strategies • Capital planning • Budgeting • Long-term financial planning • Risk management/insurance coordination 4) Maintenance Coordinator • Port-wide maintenance support • Monitor quality, consistency, & integrity of

MAYOR'S FISCAL ADVISORY COMMITTEE
COST AND REVENUE TREND PROJECT

San Francisco Municipal Railway

Presentation to Mayor Jordan

April 7, 1992

CONTENTS

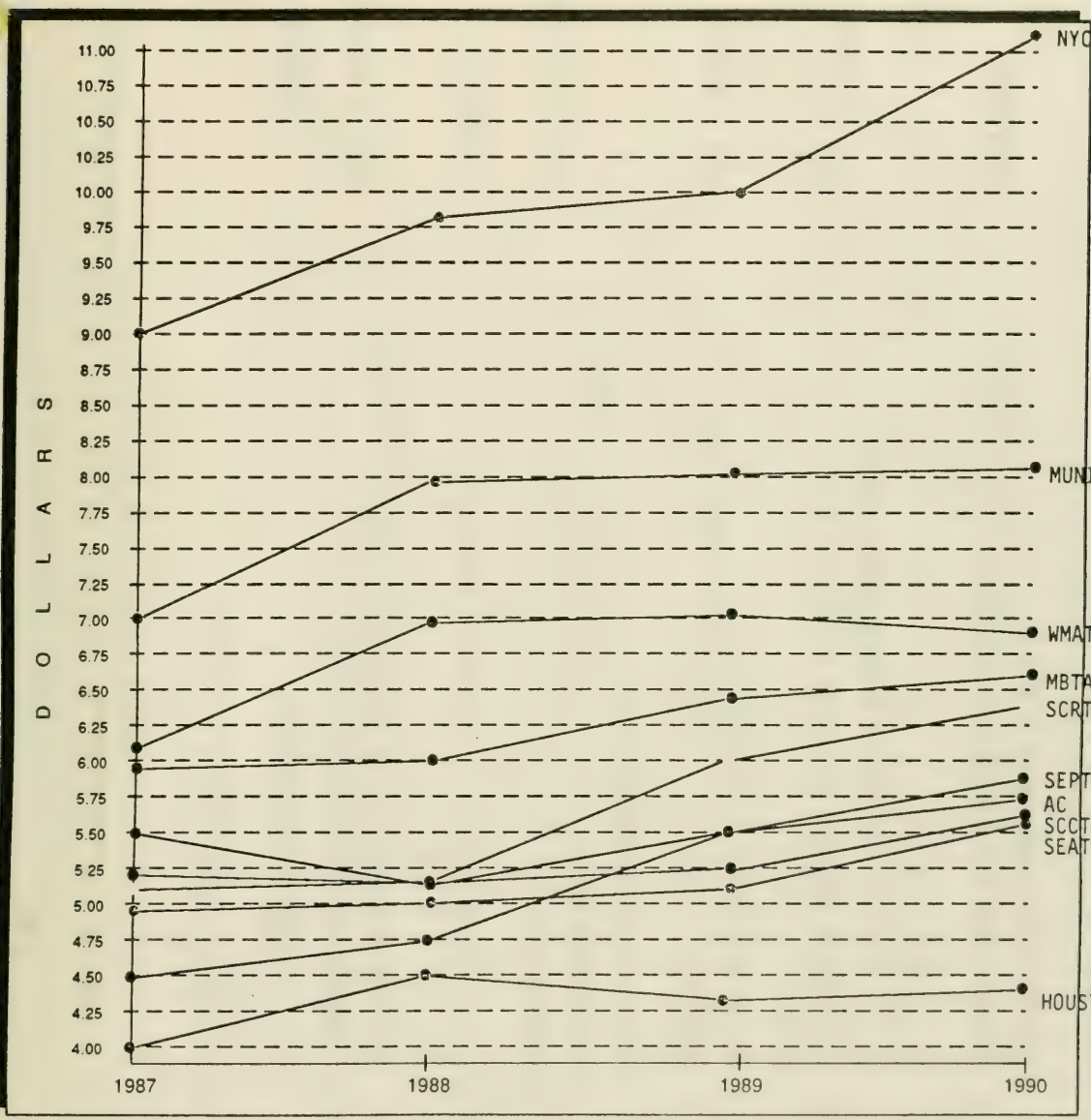
- COMPARATIVE DATA AND TRENDS
- POLICY OPTIONS
  - Methods to Increase Revenues
  - Methods for Improving Efficiency
  - Methods for Cost Containment

COMPARATIVE PERFORMANCE DATA

PERFORMANCE MEASURES	REGIONAL			WEST COAST		NATIONAL				
	MUNI	AC	SCCTD	SCRTD	SEATTLE	MBTA	SEPTA	HOUSTON	WMATA	NYCTA
SERVICE EFFICIENCY										
Operating Expenses										
Vehicle Revenue Hour	$75.17	$73.02	$78.60	$79.56	$91.82	$85.13	$60.42	$62.96	$76.22	$90.03
Vehicle Revenue Mile	$8.07	$5.70	$5.61	$6.39	$5.55	$6.73	$5.88	$4.39	$6.78	$11.21
COST EFFECTIVENESS										
Operating Expenses										
Unlinked Passenger Trip	$1.07	$2.00	$2.53	$1.38	$2.41	$1.80	$1.13	$1.51	$1.55	$1.45
Passenger Mile	$0.51	$0.45	$0.61	$0.34	$0.37	$0.71	$0.43	$0.30	$0.48	$0.73
SERVICE EFFECTIVENESS										
Unlinked Passenger Trips										
Vehicle Revenue Hour	70.2	36.6	31.0	57.7	38.1	47.3	53.7	41.6	49.1	62.3
Vehicle Revenue Mile	7.5	2.9	2.2	4.6	2.3	3.7	5.2	2.9	4.4	7.8
CHARACTERISTICS										
Peak to Base Ratio	1.6	2.1	1.6	1.5	3.2	2.5	1.8	2.6	2.8	1.5
Service Area Population	675,039	1,086,254	1,136,614	7,154,679	2,473,740	2,602,487	3,682,709	2,403,000	3,005,757	14,648,000
Vehicle Revenue Hours	3,020,020	1,700,160	1,438,552	6,953,650	1,952,057	4,002,930	5,751,590	2,447,144	5,058,706	28,503,225
Per Capita VRH	4.47	1.56	1.26	0.97	0.79	1.53	1.56	1.02	1.68	1.95

MOTOR BUS

OPERATING EXPENSE PER VEHICLE REVENUE MILE



- MUNI — San Francisco Municipal Railway
- AC Transit — Alameda Contra Costa Transit District
- SCCTD — Santa Clara County Transit District
  SCRTD — Southern California Rapid Transit District
- METRO Seattle — Municipality of Metropolitan Seattle
- METRO Houston — Metropolitan Transit Authority Harris County
- MBTA — Boston Massachusetts Bay Transportation Authority
- WMATA — Washington Metropolitan Area Transit Authority
- NYCTA — New York City Transit Authority
- SEPTA — Southern Pennsylvania Transportation Authority

POLICY OPTIONS

A. METHODS TO INCREASE REVENUES

RECOMMENDATION	$ IMPACT
1. Institute Premium Express Fares (Including Express bus, BART and Metro; $1.25/$40)	$2 - 5 Million.
2. Raise Youth and Senior Fares ($.40/$10)	$5 Million.
3. Initiate "benefit assessments" in high transit dependent commercial areas (Stonestown; Clement, California & Geary Corridors)	$10 - 20 Million
4 Initiate "transit impact" fees in large residential and commercial developments	$2 -5 Million
5. Implement existing Citywide 1¢ gasoline tax; consider requesting state authorization for an additional 2-3¢	$3 - 5 Million
6. Aggressively pursue regional legislation to increase "South Bay" bridge tolls to $ 2.	$5 Million

POLICY OPTIONS (Continued)

B. METHODS FOR IMPROVING EFFICIENCY

RECOMMENDATION	$ IMPACT
1. It is important to note that any effort to improve operational efficiencies of MUNI must address labor related issues and requires "opening" current MOU's.	
2. Extend pay progression to 36 months	$0.5 Million 1st year $2 Million 3rd year
3. Implement proof-of-payment system	Minor expense 1st.year $2 Million 2nd year
4. Reduction (temporary?) in Trust Fund payments Equate Trust Fund payments to City Health Plan	Dollar for dollar reduction $4 - 5 Million

POLICY OPTIONS (Continued)

C. METHODS FOR COST CONTAINMENT

RECOMMENDATION	$ IMPACT
1. Renegotiate Memoranda of Understanding with TWU 250:	
a) remove language **guaranteeing** average of nation's two highest paid properties	
b) reduce fixed contributions to the Trust Fund for next two years	FY '92 - $11.1 Million FY '93 - $11.6 Million FY '94 - $12.2 Million
2. Initiate Service Reductions	
a) PUC has seen one route consolidation proposal	$ 3.2 Million
b) Service cuts are perceived as very unpopular; cuts impact revenues	
3. "Asset Sponsorship" by private companies (graffiti removal, "buy-a-bus")	?

Mayor's Fiscal Advisory Committee Review

SAN FRANCISCO INTERNATIONAL AIRPORT

February 25, 1992

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San Francisco International Airport

Introduction and General Findings

Introduction

The Mayor's Fiscal Advisory Committee was asked to review major city departments and to make recommendation designed to improve the general fiscal status of the City and County by looking at San Francisco departments, specifically those impacting the City's General Fund.

The recommendations in this report are limited by the fact that the San Francisco International Airport (SFIA) is a stand alone enterprise department that contributes revenue to San Francisco's General Fund under a long standing agreement with user airlines while all costs of operations, maintenance and infrastructure are non-General Fund and fully carried by airport generated revenues.

This report was developed with the cooperation and review of airport management, and we would like to acknowledge their willingly and helpful assistance.

SFIA is currently run and needs to continue to be run "like a business." There are business checks and balances through the service/pay relations with user airlines which value and pay for SFIA facilities and services.

The true "competitive" case for SFIA and the real test of its "productivity" are reflected in its market share and user (passenger/airline) satisfaction with SFIA facilities and services.

SFIA seems to be doing well in a highly complex and competitive airline industry and, user satisfaction both among passengers and airlines is rated as high.

Comparisons to other airports were explored and not used in this report because of the lack of comparability of SFIA and other airports given major geographic and service differences. SFIA is a relatively small airport geographically. Further, SFIA's mix of users and services also make it somewhat unique. Airports first thoughts to be somewhat "comparable" were found on further review to be very different. Thus comparisons of O&M costs and numbers of personnel needed for geographic coverage facility operations or services vary widely from SFIA to other airports making direct comparisons of little value.

Using internal productively measures for SFIA (Table 1) shows overall increased productively from 1981/81 to 1990/91.

Table 1

Productivity Measures for San Francisco International Airport

	FY 1981/82	FY 1990/91	%Change
Annual Enplanements	10,236,000	15,408,835	51%
Annual Commercial Aircraft Operations	256,000	399,144	56%
Airport Positions	905	1,060	17%
Passenger Handling Efficiency	11,310	14,537	29%

Financial Performance

	FY 1981/82	FY 1990/91	%Change
Operating Cost per Enplaned Passenger (1990 $)	$ 5.99	$ 6.60	10%
Concession Revenues	34.6M	$ 94.0M	172%
Concession Revenue/Enplaned Passenger	3.38	$ 6.10	80%
Annual Service Payment to San Francisco	$ 6.0M	$ 14.1M	135%
Landing Fee	$ 1.03	67.1¢	(35%)
Bond Ratings	A/A1	A+/A1	+

Other Performance Measures

	FY 1981/82	FY 1990/91	%Change
Overall Passenger Survey Rating	3.5	4.2	20%
Emergency Police Response Time	2.7 min	1.6 min	(41%)
Noise Impacted Homes	9,171	5,239	(43%)

Total Spending on Capital Improvements, FY 1981/82 — FY 1990/91: **$ 459,593,846**

The San Francisco International Airport (SFIA) plays a critical role in the economy of the San Francisco Bay Area. More than $6.5 million in international cargo and more than 200,000 passengers, "meeters and greeters," pass through the Airport every day.

- The Airport receives no financial support from the City and County of San Francisco.
- The Airport finances all infrastructure improvements with its own funds (at no cost to the taxpayer). In March 1990 the Airport sold $92.9 million of Series E revenue bonds to finance major projects to maintain the Airport's infrastructure. The bonds sold at an average interest cost of 7.49%.
- The Airport generates its own revenues to meet its expenses and capital requirements and, contributes over $13 million annually to the City's General Fund under the current airport agreement (Tables 2, 3).
- Fiscal Year 1989/90 saw concession revenues increase 11% over the previous year despite the 2% decline in passengers.
- San Francisco's total concession revenues per enplaned passenger of $5.44 ranks second among the largest airports in the United States.
- The Airport's revenue sources are highly diversified. The largest single tenant accounts for no more than 15% of total revenues. Since 1981, total Airport revenues have doubled.
- Over 31,000 Bay Area residents work at the Airport (7,100 from San Francisco, 11,900 from San Mateo).

Source: San Francisco International Airport Annual Report 1990

Calculation of the Annual Service Payment
San Francisco International Airport
For Fiscal Year Ending June 30

Table 2

	1990/91	1991/92	1992/93	1993/94
Terminal Area				
Concession fees				
Gifts, merchandise, and services	$12,860,000	$ 15,000,000	$ 15,300,000	$ 15,606,000
Car rentals	13,624,000	14,100,000	14,523,000	14,959,000
Food and beverage	3,820,000	4,100,000	4,223,000	4,350,000
Duty free, in-bond	20,427,000	20,802,000	21,218,000	21,642,000
Concession space rentals*	519,000	330,000	330,000	330,000
Terminal Area concession revenues	$ 51,250,000	$ 54,332,000	$ 55,594,000	$ 56,887,000
Groundside Area				
Concession fees				
Auto parking (gross)	$ 34,410,000	$ 34,000,000	$ 35,190,000	$ 36,422,000
Taxi	800,000	800,000	800,000	800,000
Hotel	1,000,000	1,000,000	1,000,000	1,000,000
Other ground transportation	1,705,000	2,182,000	2,220,000	2,259,000
Off-Airport rental car fees	1,600,000	2,200,000	2,266,000	2,334,000
Ground and building rentals	207,000	223,000	223,000	223,000
Traffic fines and forfeitures	408,000	425,000	425,000	425,000
Groundside Area concession revenues	$ 40,130,000	$ 40,830,000	$ 42,124,000	$ 43,463,000
Total concession revenues	$ 91,380,000	$ 95,162,000	$ 97,718,000	$ 100,350,000
x 15%	x 15%	x 15%	x 15%	x 15%
Percentage based	$ 13,707,000	$ 14,274,300	$ 14,657,700	$ 15,052,500
Minimum Payment	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Annual Service Payment (greater of percentage based or minimum payment)	**$ 13,707,000**	**$ 14,274,300**	**$ 14,657,700**	**$ 15,052,500**

* *Terminal space rentals from concessions and service firms. Excludes rentals from government agencies.*

SFIA Revenues, Expenditures and Transfers
Fiscal Years Ended June 30, 1989

Table 3

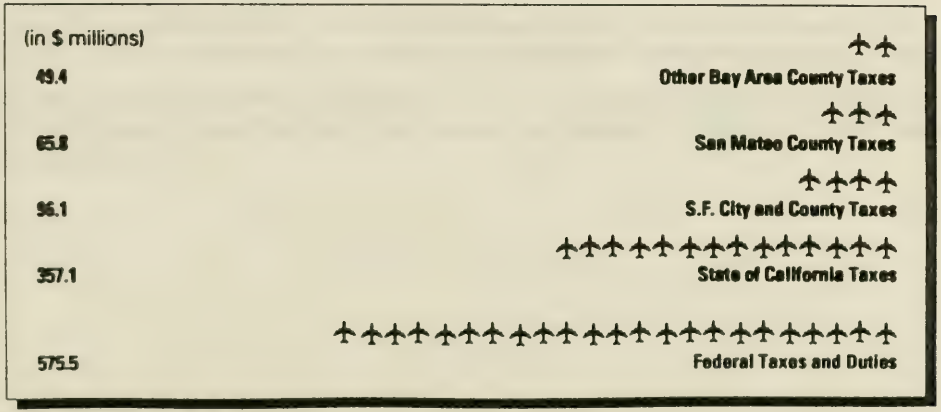
	1985	1986	1987	1988	FY 88–89
Aviation Revenues	$55,663,532	$60,972,844	$59,870,439	$58,420,084	$52,819,402
Concession Revenues	49,483,922	52,560,838	60,362,313	64,459,746	72,629,351
Net Sales and Services	2,018,537	2,194,786	3,053,975	3,085,332	3,573,115
Total Operating Revenues	$107,165,991	$115,728,468	$123,286,727	$125,965,162	$129,021,868
Total Operating Expenses	76,403,070	81,049,473	86,291,232	94,439,395	101,115,529
Operating Income	30,762,921	34,678,995	36,995,495	31,525,767	27,906,339
Net Other Income	(6,518,756)	(3,044,217)	(893,715)	(5,930,807)	(8,087,486)
Income Before Operating Transfer	24,244,165	31,634,778	36,101,780	25,594,960	19,818,853
Operating Transfer to the City and County of San Francisco	(7,422,558)	(7,884,150)	(9,048,709)	(10,304,251)	(10,877,436)
Net Income	$16,821,577	$23,750,628	$27,053,071	$15,290,709	$8,941,417

Source: San Francisco Airports Commission

- San Francisco International Airport is the largest source of employment in San Mateo County. Over 31,000 people work at the Airport, and another 15,400 people hold jobs which are dependent on Airport employment. Finally, it is estimated that over 134,000 jobs in the visitor industry throughout the Bay Area depend on tourists and business travellers who arrive at the Airport. Altogether, these workers earn over $4.1 billion annually.
- Over 5,000 non-airline employees provide a wide variety of services for the traveling public. The North Terminal now has 'Authors,' a complete bookstore carrying 8,000 titles. In addition, the lease for a new 'Pacific Bazaar' was bid. This facility will carry merchandise from countries throughout the world. Plans for a new ground transportation information booth were also finalized.
- Passengers travel direct to over 85 domestic and 32 international destinations.
- Since the former central terminal was converted to the international terminal in 1983, international traffic has increased by 94%.
- In a continuing effort to improve services and discover what passengers need, the Airport hires an independent consulting firm to conduct an Annual Passenger Survey. In May 1990, passengers gave the SFO an overall rating of 4.4 on a scale of 1 to 5, the highest rating the Airport has ever received.
- The Airport is third in the nation in the value of cargo exports and second in imports.
- The total annual value of exports and imports passing through the Airport exceeds $24 billion.
- In Fiscal Year 1989/90 air cargo volume totalled 556,048 metric tons.
- At $0.573 per thousand pounds of landed weight, the Airport's landing fee rate in Fiscal Year 1989/90 was the second lowest among the fifteen largest airports in the United States.
- The bond rating agencies affirmed the Airport's high A+/A1 ratings.
- The Airport has the capacity to issue substantially more revenue bonds if needed, and still keep its landing fee rate below rates charged by most other major airports.

- Despite a 42% increase in travelers and a 65% increase in public area square footage since 1981, the Airport has increase staff by only 11% over the decade. In constant dollars, the operating cost per enplaned passenger has decreased from $3.71 to $3.34 over this period.
- The Airport has shown productivity improvements and growth in concession revenue. In addition, the Airport's 'origin and destination' traffic means a more stable demand for air services than air ports dependent on hub services.
- The Airport's central geographic position on the West Coast, modern terminal facilities, and skilled employees are additional strengths which make SFO an increasingly competitive business.
- The Airport Generates Taxes – The Airport helps generate tax revenues for local, State and Federal governments. These taxes are paid by both individuals and businesses. Annual revenues resulting from Airport activity and paid to the various government jurisdictions total an estimated $ 1.1 billion.

Estimated SFIA Tax Impacts — Table 4



Source: SFIA data 1991

Based on our research we make the following recommendations:

1. Encourage SFIA to maximize concession revenues specifically parking revenues to increase to airports contribution to the City's General Fund and to provide increased user service.

2. Use SFIA as to test department for new technology and equipment that may also be used by other city departments. This could result in reduced General Fund costs and increased productivity.

3. SFIA in addition to meeting the budgeting format requirements of San Francisco also uses a business program budget approach to running its departments.

   Department heads are both empowered and held accountable for departmental performance. San Francisco should consider using a program based budgeting approach rather than the current "line item" approach.

4. SFIA long term capital plans and expenditures should be reviewed tc assure that anticipated SFIA revenues will be sufficient to continue to service anticipated capital debit.

   A changing world and shifting economic trends represent the largest uncertainties facing SFIA. These trends should be carefully tracked and evaluated relative to SFIA revenues and expenditures.

San Francisco International Airport

Organization

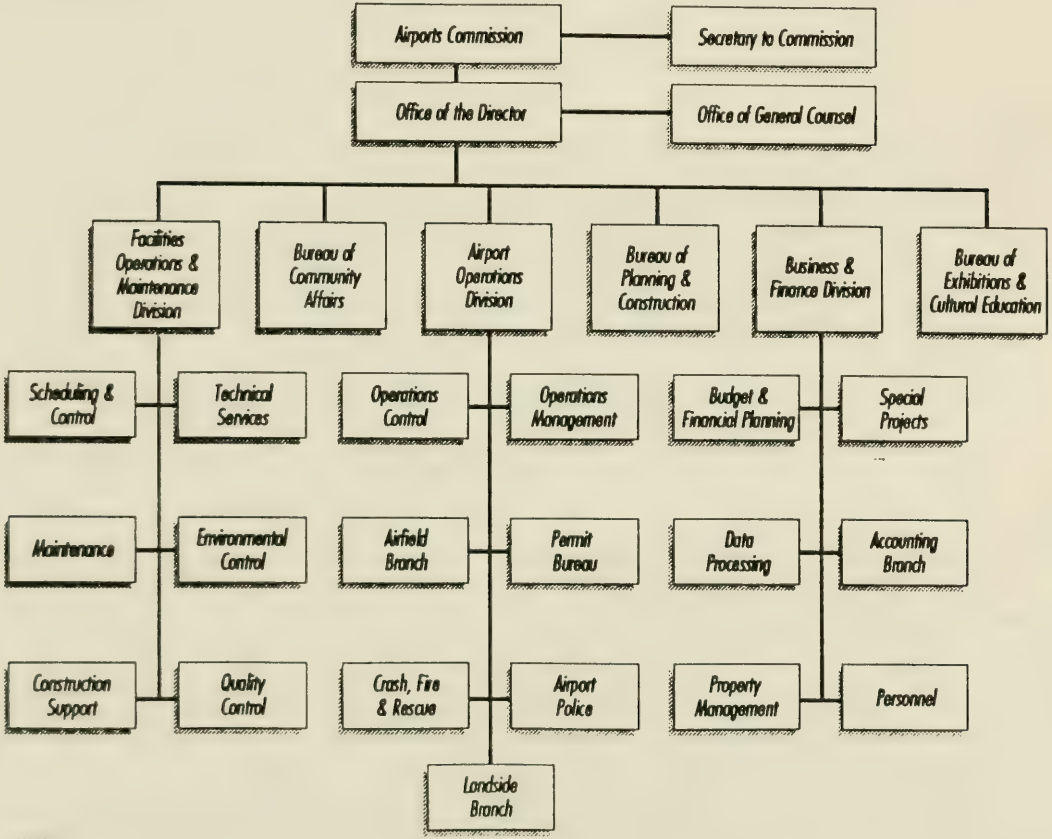
San Francisco International Airport – Organization

The San Francisco International Airport (SFIA) is an enterprise fund of the City and County of San Francisco. A five member Airports Commission is responsible for its operation, development and maintenance. Commission members are appointed by the Mayor for terms of four years. The day to day operation of the airport is conducted by the Airport Director and his staff.

The SFIA organization consists of the Commission, the Office of the Director, three Divisions (Facilities, Operations and Maintenance; Airport Operations; and Business and Finance), three Bureaus (Community Affairs, Exhibitions Planning and Construction, and Cultural Education), and the Office of General Council (Chart 1).

San Francisco Airports Commission, Organization Chart

Chart 1



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San Francisco International Airport

Revenues

The following charts and tables outline the historic revenue profile of SFIA.

- Concession revenues are playing an increasingly important role in total SFIA revenues. Up from **46.2%** of total revenues in 1985 to **56.3%** in 1989.

  Under the existing airport agreement with the airlines and the City of San Francisco, the City receives 15% of concession revenues.

  Major SFIA operating revenue sources are:

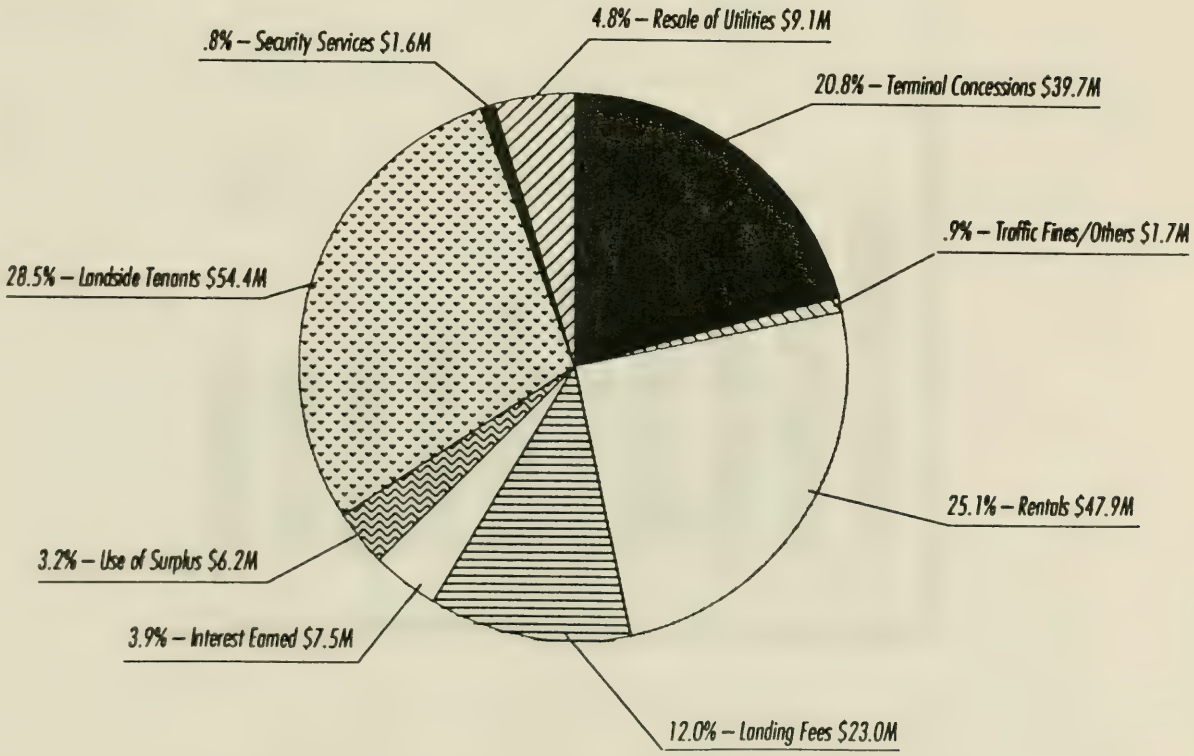
- **Aviation revenues:** these include, landing fees and terminal rentals paid by airlines which are based upon rates calculated per the terms of the Lease and Use Agreements, land and other space rentals, fuel-related fees and charges, and itinerant airline charges.

- **Concession revenues:** these include amounts derived from parking, rental cars, duty free, food and beverage, merchandise, ground transportation, other concession activities, certain space rentals, and traffic fines.

- **Net sales and services revenues:** these include payments received for providing police services to security screening checkpoints to boarding areas, the resale of utilities after netting of the purchase costs, and the sale of other utilities and services.

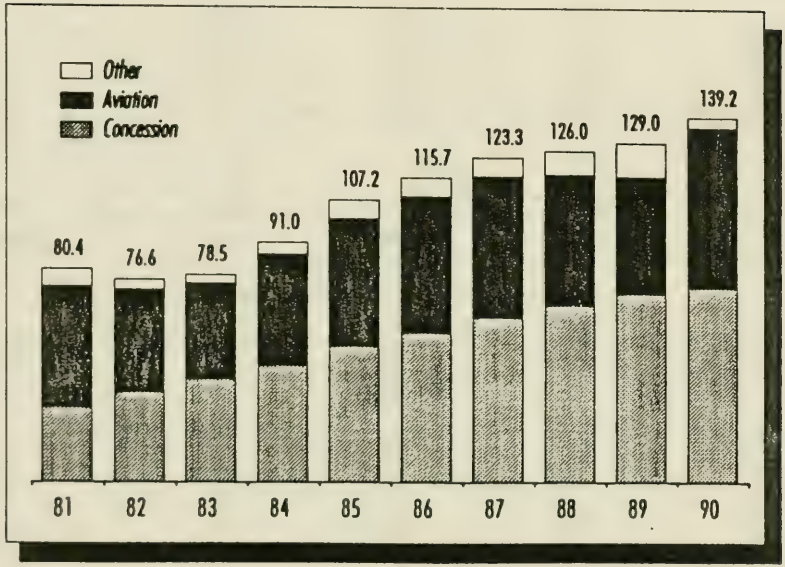
SFIA Projected Revenues Fiscal Year /1991

Chart 2


4.8% – Resale of Utilities $9.1M
.8% – Security Services $1.6M
20.8% – Terminal Concessions $39.7M
.9% – Traffic Fines/Others $1.7M
28.5% – Landside Tenants $54.4M
25.1% – Rentals $47.9M
3.2% – Use of Surplus $6.2M
3.9% – Interest Earned $7.5M
12.0% – Landing Fees $23.0M

Total SFIA Operating Revenues,
FY 1990 Ending 6/30 (Dollars in Millions)*

Table 5



* *San Francisco International Airport Annual Report, 1990: pp. Insert, "Operating Highlights"*

Historical Revenues – San Francisco International Airport

(In Thousands of Dollars)

Table 6

Annual Revenues

	FY1985	FY1986	FY1987	FY1988	FY1989
Aviation Revenue-Airlines	$48,292	$52,385	$50,434	$48,542	$42,735
Other Rental Revenue	8,477	7,506	8,328	8,443	8,600
Other Aviation Revenue	894	1,082	1,109	1,435	1,485
Aviation Revenues	**57,663**	**60,973**	**59,871**	**58,420**	**52,820**
Parking	22,513	24,617	28,153	29,316	32,539
Rental Car	10,040	10,444	11,901	12,834	14,111
News, Tobacco & Gifts	7,739	8,444	10,571	12,457	15,644
Food & Beverage	2,784	3,044	3,282	3,429	3,714
Advertising/Telephone	2,429	1,931	2,188	2,407	2,712
Other Concession Revenue	3,979	4,081	4,287	4,017	3,909
Concession Revenues	**49,484**	**52,561**	**60,382**	**64,460**	**72,629**
Gate Security	1,059	1,157	1,248	1,254	1,427
Utilities	388	443	1,013	1,178	1,283
Miscellaneous	597	594	793	653	863
Net Sales and Services	**2,019**	**2,194**	**3,054**	**3,085**	**3,573**
Total Operating Revenues	**107,166**	**$115,728**	**$123,287**	**$125,965**	**$129,022**

Revenue Distribution
(Percent of Total Operating Revenue) *

	FY1985	FY1986	FY1987	FY1988	FY1989
Aviation Revenue-Airlines	43.2%	45.3%	40.9%	38.5%	33.1%
Other Rental Revenue	7.9	6.5	6.7	6.7	6.7
Other Aviation Revenue	0.8	0.9	0.9	1.1	1.2
Aviation Revenues	51.9	52.7	48.5	46.4	40.9
Parking	21.0	21.3	22.8	23.3	25.2
Rental Car	9.4	9.0	9.7	10.2	10.9
News, Tobacco & Gifts	7.2	7.3	8.6	9.9	12.1
Food & Beverage	2.6	2.6	2.7	2.7	2.9
Advertising/Telephone	2.3	1.7	1.8	1.9	2.1
Other Concession Revenue	3.7	3.5	3.5	3.2	3.0
Concession Revenues	46.2	45.4	49.0	51.2	56.3
Gate Security	1.0	1.0	1.0	1.0	1.1
Utilities	0.3	0.4	0.6	0.9	1.0
Miscellaneous	0.6	0.5	0.6	0.5	0.7
Net Sales and Services	1.9	1.9	2.5	2.4	2.8
Total Operating Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Airports Commission

** Totals may not add due to rounding*

Ten Highest Revenue Producers[•]

Table 7

Fiscal Year 1989/90	Revenues	% of Total
1. Airport Parking Management	$31,237,098	18.7
2. United Airlines	20,566,231	12.3
3. Allders International USA	11,052,865	6.6
4. Host International	9,056,034	5.4
5. American Airlines	8,093,813	4.9
6. DFS West	6,296,205	3.7
7. Hertz Corporation	5,207,216	3.1
8. USAir	4,986,792	3.0
9. Avis Rent-A-Car	3,998,891	2.4
10. Delta Airlines	3,359,527	2.0
Other 350 Revenue Producers	$62,794,273	37.7
Total Revenues	$166,648,945	100.0

[•] *San Francisco International Airport Annual Report, 1990; pp. Insert, "Operating Highlights"*

Concession Revenues
San Francisco International Airport

Table 8

	Parking	Rental Car	News, Tobacco and Gifts	Food and Beverage	Advertising & Telephone	Other*	Total
1985	$22,513,218	$10,039,698	$7,739,485	$2,783,729	$2,428,520	$3,979,272	$49,483,922
1986	24,617,293	10,444,140	8,443,728	3,044,055	1,930,797	4,080,825	52,560,838
1987	28,153,127	11,900,934	10,571,417	3,282,222	2,188,193	4,266,420	60,362,313
1988	29,316,142	12,833,712	12,456,601	3,429,586	2,407,006	4,016,699	64,459,746
1989	32,539,235	14,111,119	15,643,971	3,714,450	2,711,647	3,908,929	72,629,351
1990F	34,328,893	14,816,675	29,692,740	3,881,600	2,765,880	4,051,824	89,537,612

Source: Airports Commission
** Includes non-airline terminal and other building rentals, hotels, limousine, taxi, service station, and traffic fines.*

Fifteen Largest Concessionaires

Table 9

Tenants	Lease Expiration Date	Concession Revenues Fiscal Year 1987-88 (000's)	Minimum Annual Rent Fiscal Year 1988-89 (000's)	Concession Revenues Fiscal Year 1988-89 (000's)
Parking Revenues (a)	6/30/91	$29,879	None	$32,539(d)
Duty Free Shoppers (b)	Various	7,362	$6,717	10,986
Host International, Inc.	Various	5,611	5,088	7,236
Hertz Corporation	5/31/90	4,417	2,899	5,328
Avis Rent-A-Car	5/31/90	3,550	2,116	4,270
Budget Rent-A-Car	5/31/90	1,880	382	2,251
National Car Rental	5/31/90	1,918	1,414	2,248
Hilton Hotels Corporation	3/31/98	1,306	50	1,396
ABC Cigar Company	1/08/90	1,225	603	1,254
Deak International	7/15/93	613(c)	740	740
Dollar Rent-A-Car	5/31/90	447	406	629
Chevron USA	3/12/91	611	72	489
Pacific Bell	2/28/91	395	300	485
Associated Limousines	2/21/91	428	427	435
Ackerly Communications	30 day	403	409	424
Other Concession Revenue		4,415		1,919
Total Concession Revenue		$64,460		$72,629

Source: San Francisco Airports Commission

a Airport Parking Management, Inc. operates the Airport's garage and long-term lot under a management contract.

b In October, 1989, Allders International commenced a new lease for the duty-free shop concession. The new lease provides for a minimum annual guarantee of $20.1 million.

c Bank of America was the foreign exchange concessionaire in FY 1987-88.

d Exclusive of parking revenue derived from tenant employee parking.

Landing Fees Among Select U.S. Airports
(As of July 1, 1989)

Table 10

Airport	Signatory Landing Fee Rate (per 1000 pounds) (1)	Airport	Signatory Landing Fee Rate (per 1000 pounds) *
LaGuardia	$2.750	St. Louis	$0.987
Newark	1.930	Detroit	0.980
O'Hare	1.589	Seattle	0.850
Boston	1.486	Honolulu	0.700
Kennedy	1.470	Los Angeles	0.630
Denver	1.459	**San Francisco**	**0.573**
DFW	1.400	Atlanta	0.560
Miami	1.380		

Source: San Francisco Airports Commission Survey
** Some airports may have higher rates for certain classes of aircraft.*

Air Traffic Data for SFIA
Fiscal Years 1979-80—1988-89

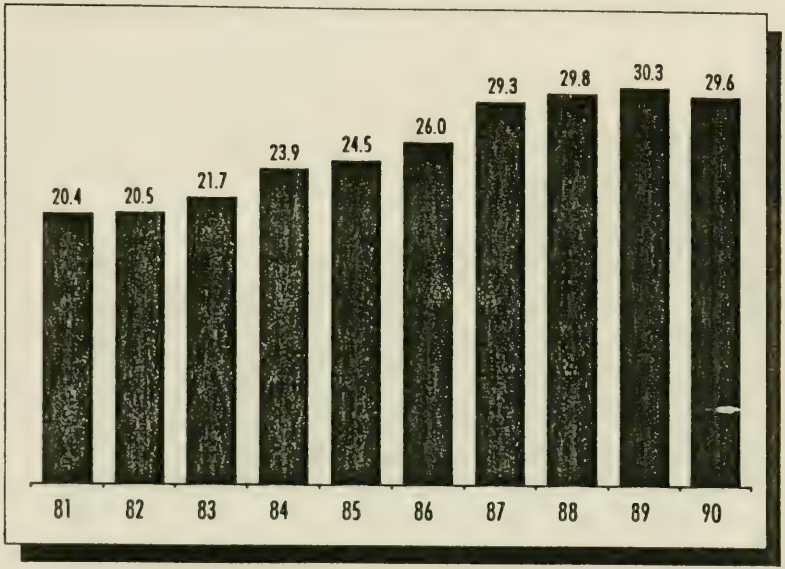
Table 11

Fiscal Year	Scheduled Aircraft Arrivals & Departures	Enplanements and Deplanements		
		Domestic	International	Total
1988-89	404,473	26,701,822	3,634,416	30,336,238
1987-88	430,410	26,431,246	3,388,824	29,820,070
1986-87	405,375	26,256,959	3,110,944	29,367,903
1985-86	364,721	23,474,078	2,586,488	26,060,566
1984-85	341,652	21,981,440	2,572,865	24,554,305
1983-84	335,751	21,649,000	2,318,185	23,967,185
1982-83	284,859	19,748,129	2,011,244	21,759,373
1981-82	258,592	18,414,906	2,123,691	20,538,597
1980-81	279,713	18,027,856	2,353,513	20,381,369
1979-80	311,008	20,043,977	2,616,558	22,660,085

Source: San Francisco Airports Commission

Total Passengers Enplaned and Deplaned*
(In Millions)

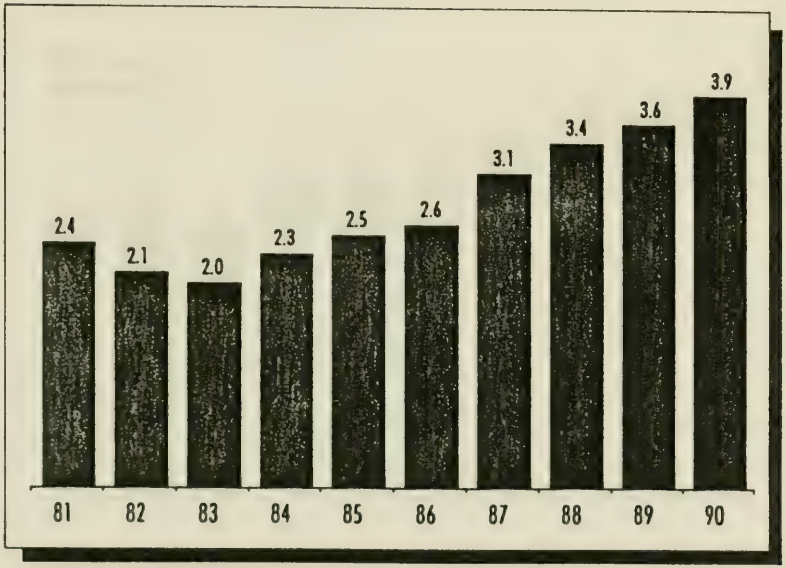
Table 12



NOTE: Slight downturn in 1990 due to recession or international problems? A long term concern?

* *San Francisco International Airport Annual Report, 1990: pp. Insert, "Operating Highlights"*

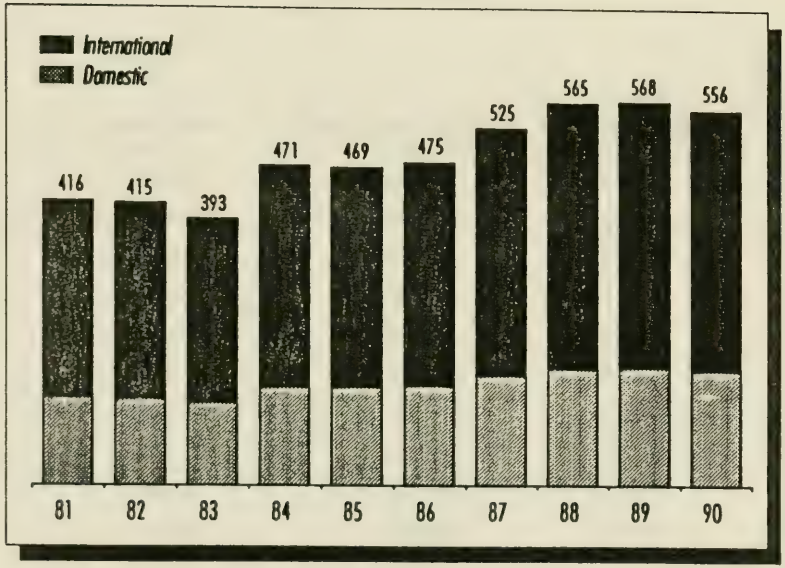
Total International Passengers Enplaned and Deplaned* Table 13
(In Millions)



* *San Francisco International Airport Annual Report, 1990: pp. Insert, "Operating Highlights"*

Total Air Cargo*
(In Millions of Metric Tons)

Table 14



NOTE: Slight downturn in 88/89. Is this due to increased competition? Is this a longterm concern?

* *San Francisco International Airport Annual Report, 1990: pp. Insert, "Operating Highlights"*

Cargo Traffic Data
Fiscal Years 1979-80—1988-89

Table 15

Air Cargo On and Off
(In Metric Tons)

Fiscal Year	Freight and Express	U.S. and Foreign Mail
1988-89	460,143	108,840
1987-88	460,974	106,770
1986-87	421,405	106,429
1985-86	363,325	111,518
1984-85	361,435	107,883
1983-84	366,213	104,494
1982-83	298,294	94,925
1981-82	310,822	104,378
1980-81	312,153	104,076
1979-80	334,041	98,401

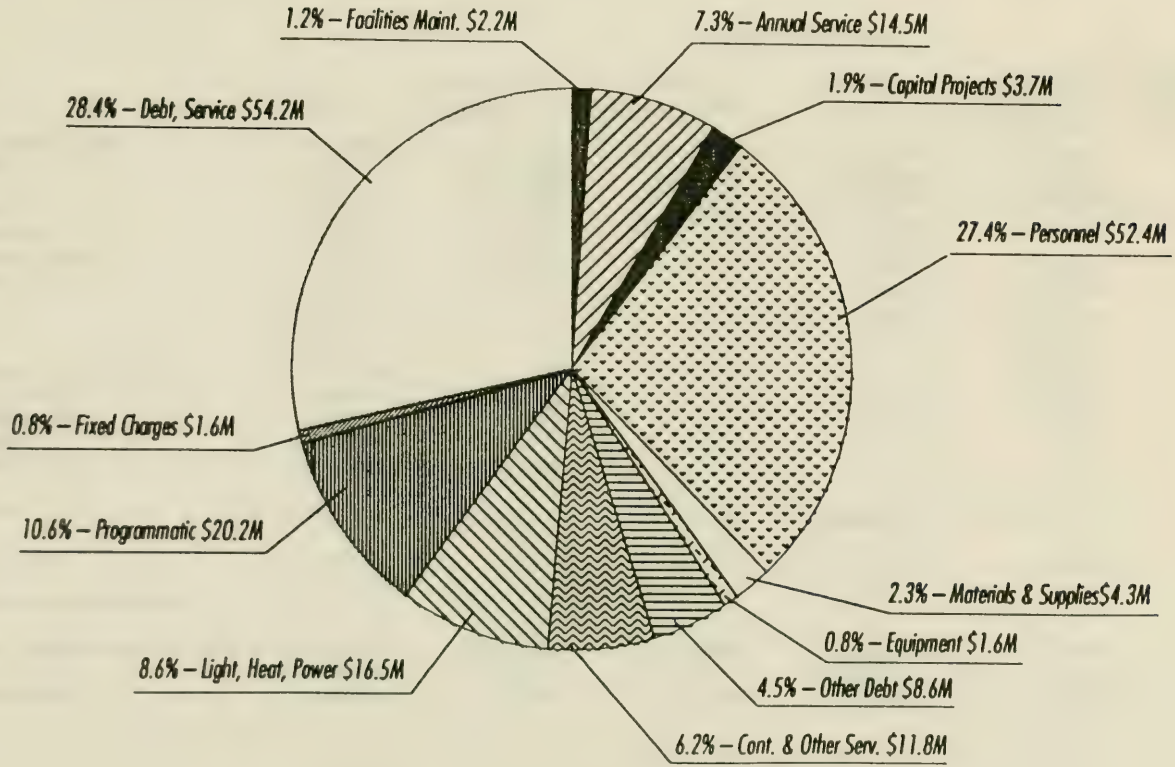
Source: San Francisco Airports Commission

San Francisco International Airport

Expenditures

SFIA Projected Expenditures, Fiscal Year 1991/92

Chart 3


1.2% – Facilities Maint. $2.2M
7.3% – Annual Service $14.5M
1.9% – Capital Projects $3.7M
28.4% – Debt, Service $54.2M
27.4% – Personnel $52.4M
0.8% – Fixed Charges $1.6M
10.6% – Programmatic $20.2M
2.3% – Materials & Supplies $4.3M
0.8% – Equipment $1.6M
8.6% – Light, Heat, Power $16.5M
4.5% – Other Debt $8.6M
6.2% – Cont. & Other Serv. $11.8M

Detail of Administrative, Operating, and Maintenance Expenses
San Francisco International Airport
FY 1991/92

Table 16

Operations	Budget	Cost Centers: Approved Area	Airfield Support Area	Airport Area	Terminal Area	Groundside Utilities
Office of the Deputy Director	$ 479,351	$ 143,805	$ 47,935	$ 143,805	$ 143,805	$ 0
Crash/Fire/Rescue	7,717,960	6,174,368	77,180	1,312,053	77,180	77,180
Police	12,498,415	1,249,842	624,921	6,874,128	3,749,525	0
Special Security	486,202	24,310	48,620	364,652	48,620	0
Airfield Operations	2,167,894	2,167,894	0	0	0	0
License and Permit Bureau	574,994	344,996	0	172,498	57,499	0
Control Center	3,952,387	790,477	0	2,964,290	197,619	0
Landside	1,073,494	0	0	53,675	1,019,819	0
Garage	8,260,000	0	0	0	8,260,000	0
Shuttle Bus	2,620,000	0	0	0	2,620,000	0
Ground Transportation	645,516	0	0	0	645,516	0
Airport Transit Booth	900,000	0	0	0	900,000	0
Operations Management	663,199	66,320	66,320	464,239	66,320	0
Noise Monitoring	246,676	246,676	0	0	0	0
Noise Monitoring Program	1,590,698	1,590,698	0	0	0	0
Total Operations	$ 43,876,786	$ 12,799,387	$ 864,976	$ 12,349,341	$ 17,785,904	$ 77,180
Percentage distribution	100.0%	29.2%	2.0%	28.1%	40.5%	0.2%
Bureau of Planning & Construction						
Total Bureau of Planning & Construction	$ 938,000	$ 46,900	$ 9,380	$ 647,220	$ 187,600	$ 46,900
Percentage distribution	100.0%	5.0%	1.0%	69.0%	20.0%	5.0%

Detail of Administrative, Operating, and Maintenance Expenses
San Francisco International Airport
FY 1991/92

Table 16 *(continued)*

		Cost Centers				
Technical Services & Maintenance	**Budget**	**Approved Area**	**Airfield Support Area**	**Airport Area**	**Terminal Area**	**Groundside Utilities**
Office of the Deputy Director	$ 251,471	$ 50,294	$ 37,721	$ 100,588	$ 12,574	$ 50,294
Scheduling and Control	936,031	187,206	140,405	234,008	187,206	187,206
Construction and Support	424,291	275,789	42,429	42,429	21,215	42,429
Quality Control	383,670	38,367	19,184	76,734	57,551	191,835
Technical Services	1,646,846	1,070,450	164,685	164,685	82,342	164,685
Geographic Information System	133,361	26,672	20,004	33,340	26,672	26,672
Purchasing	318,241	63,648	31,824	127,296	63,648	31,824
Fuel	290,000	8,700	14,500	29,000	185,600	52,200
Office Supplies	170,000	25,500	25,500	59,500	42,500	17,000
Total Technical Services & Maintenance	$ 4,553,911	$ 1,746,627	$ 496,251	$ 867,581	$ 679,308	$ 764,145
Percentage distribution	100.0%	38.4%	10.9%	19.1%	14.9%	16.8%
Building, Grounds, & Vehicle Maintenance						
Maintenance Supervision	$ 201,462	$ 30,219	$ 30,219	$ 90,658	$ 10,073	$ 40,292
Auto	1,229,542	258,204	98,363	516,408	245,908	110,659
Custodial	10,500,950	0	315,029	10,185,922	0	0
Pavement/Grounds	2,652,749	1,167,210	636,660	265,275	583,605	0
Landscaping	573,638	22,946	22,946	126,200	401,547	0
Painting	964,554	385,822	192,911	289,366	86,810	9,646
Water Quality Control	1,467,847	0	587,139	777,959	29,357	73,392
Carpentry	721,265	7,213	259,655	425,546	28,851	0
Mechanical	3,418,657	341,866	0	2,734,926	341,866	0
Terminal Maintenance	2,108,000	0	0	2,108,000	0	0
Total Bldng, Grounds & Vehicle Maint.	$ 23,838,664	$ 2,213,478	$ 2,142,921	$ 17,520,259	$ 1,728,016	$ 233,989
Percentage distribution	100.0%	9.3%	9.0%	73.5%	7.2%	1.0%

Detail of Administrative, Operating, and Maintenance Expenses
San Francisco International Airport
FY 1991/92

Table 16 *(continued)*

Utilities Maintenance	Approved Budget	Cost Centers: Airfield Area	Airport Support Area	Terminal Area	Groundside Area	Utilities
Environmental Control	$ 1,004,291	$ 100,429	$ 251,073	$ 351,502	$ 20,086	$ 281,201
Steamfitting	619,418	24,777	117,689	340,680	136,272	0
Plumbing	1,570,878	47,126	204,214	1,272,411	31,418	15,709
Electrical	3,053,923	305,392	1,038,334	1,282,648	305,392	122,157
Safety Program	386,292	38,629	96,573	135,202	7,726	108,162
Sheet Metal Shop	581,315	11,626	215,087	284,844	63,945	5,813
Total Utilities Maintenance	$ 7,216,117	$ 527,980	$ 1,922,970	$ 3,667,287	$ 564,838	$ 533,042
Percentage distribution	100.0%	7.3%	26.6%	50.8%	7.8%	7.4%
Subtotal— "direct expenses"	**$80,423,478**	**$17,334,372**	**$5,436,497**	**$35,051,688**	**$20,945,665**	**$1,655,256**
Percentage distribution	100.0%	21.6%	6.8%	43.6%	26.0%	2.1%
Administration						
Office of the Director						
Director's Office	$ 925,769	$ 185,154	$ 92,577	$ 370,308	$ 231,442	$ 46,288
Exhibition Operations	207,336	0	0	207,336	0	0
Exhibition Program	789,276	0	0	789,276	0	0
Legal Expenses	2,447,979	489,596	244,798	979,192	611,995	122,399
Secretary to Commission	217,416	43,483	21,742	86,966	54,354	10,871
Community Affairs	352,719	70,544	35,272	141,088	88,180	17,636
Business & Finance	6,997,964	1,399,593	699,796	2,799,186	1,749,491	349,898
Luggage Cart Program	1,300,000	0	0	1,300,000	0	0
Personnel Program	142,500	28,500	14,250	57,000	35,625	7,125
Marketing, Analysis, & Development	525,326	105,065	52,533	210,130	131,332	26,266
Risk Management	2,088,096	417,619	104,405	1,148,453	313,214	104,405
Hotel/motel Advertising Boards	194,464	0	0	194,464	0	0
Legislative Representative	150,000	30,000	15,000	60,000	37,500	7,500
Concession Space Management	50,000	0	0	50,000	0	0
Special Events	44,550	8,910	4,455	17,820	11,138	2,228
Total Administration	**$16,433,395**	**$2,778,464**	**$1,284,827**	**$8,411,218**	**$3,264,270**	**$694,616**
Percentage distribution	100.0%	16.9%	7.8%	51.2%	19.9%	4.2%

Detail of Administrative, Operating, and Maintenance Expenses
San Francisco International Airport
FY 1991/92

Table 16 *(continued)*

Other Costs	Budget	Approved Area	Airfield Support Area	Airport Area	Terminal Area	Groundside Utilities
			Cost Centers			
Health Service Subsidy	$ 364,000	$ 91,000	$ 36,400	$ 145,600	$ 72,800	$ 18,200
Water	564,402	0	0	0	0	564,402
Taxes	867,832	121,496	60,748	407,881	216,958	60,748
Bond Trustee	200,000	50,000	12,000	92,000	36,000	10,000
Rental of Property	466,037	0	466,037	0	0	0
Light, Heat, Power	18,313,990	0	0	0	0	18,313,990
Salary Savings	(2,176,120)	(435,224)	(217,612)	(870,448)	(544,030)	(108,806)
Salary & Benefit Increases	2,500,000	500,000	250,000	1,000,000	625,000	125,000
Total Other Costs	$ 21,100,141	$ 327,272	$ 607,573	$ 775,033	$ 406,728	$ 18,983,534
Percentage distribution	100.0%	1.6%	2.9%	3.7%	1.9%	90.0%
Subtotal Administrative, Operating, & Maintenance Expense Allocation	$ 117,957,014	$ 20,440,108	$ 7,328,898	$ 44,237,939	$ 24,616,663	$ 21,333,406
Facilities Maintenance [a]	2,170,000	550,000	200,000	700,000	170,000	550,000
TOTAL Administrative, Operating, & Maintenance Expense	$ 120,127,014	$ 20,990,108	$ 7,528,898	$ 44,937,939	$ 24,786,663	$ 21,883,406

Detail of Facilities Maintenance and Equipment
San Francisco International Airport
FY 1991/92

Table 16 *(continued)*

		Cost Centers				
Facilities Maintenance	**Budget**	**Approved Area**	**Airfield Support Area**	**Airport Area**	**Terminal Area**	**Groundside Utilities**
Facilities Maintenance Projects	$ 2,170,000	$ 550,000	$ 200,000	$ 700,000	$ 170,000	$ 550,000
Total Facilities Maintenance	$ 2,170,000	$ 550,000	$ 200,000	$ 700,000	$ 170,000	$ 550,000

	Approved Budget	**Airfield Area**	**Airport Support Area**	**Terminal Area**	**Groundside Area**	**Utilities**
Operations	$ 627,800	$ 246,620	$ 0	$ 256,388	$ 124,792	$ 0
Engineering	92,500	46,325	10,375	14,200	9,050	12,550
Maintenance	283,960	117,452	2,650	42,485	119,465	1,908
Utilities	411,825	23,007	31,496	160,662	20,847	175,813
Administration	184,100	31,223	14,489	93,799	36,783	7,806
Total Equipment	$ 1,600,185	$ 464,627	$ 59,010	$ 567,534	$ 310,937	$ 198,077

San Francisco International Airport

Personnel

SFIA Personnel

The numbers of SFIA personnel increased from 1014 in 1989 to 1065 in 1990 or 51 positions. Of these positions 30 were classified as technical. (Tables 17, 18.) The technical positions reflect the hiring of design and engineering technicians to assist in the Master Plan efforts.

In general however, SFIA has experienced relatively stable growth of personnel of 3% to 4% per year. SFIA personnel indicate that this is due to security, facility and engineering demands.

SFIA Personnel, 1985 to 1990

Table 17

Category	1985	1986	1987	1988	1989	1990
Officials and Administrators	5	7	8	11	11	13
Professionals	112	109	112	113	123	125
Professional P/T	0	0	0	0	0	0
Technicians	106	106	80	89	79	109
Protective Services	194	214	214	222	248	252
Paraprofessionals	0	0	0	0	0	0
Office/Clerical	88	92	93	94	95	99
Skilled Crafts	158	157	162	164	164	169
Service/Maintenance	245	258	263	275	274	275
Exempt	12	12	12	12	15	18
Commissioners	5	5	5	5	5	5
Total Airport Positions	925	960	949	985	1014	1065

SFIA Personnel by Category 1985 to 1990

Table 18

Category	1985	1986	1987	1988	1989	1990
Office and Administrators						
Assistant to Director	0	1	1	1	1	1
Assistant to Dep. Director	4	4	4	6	6	6
Airport Terminal Mgr.	0	0	0	0	0	1
Asst. Terminal Mgr.	0	0	0	0	0	1
Asst. Dire. Com. Affairs	0	0	1	1	1	1
Director, Property Mgmt	0	1	1	1	1	1
Sr. Dept. Personnel Dir.	1	1	1	1	1	1
Supervising Fiscal Off.	0	0	0	1	1	1
Total	5	7	8	11	11	13
Professionals						
Risk Manager	0	0	0	0	0	1
Outreach Officer	0	0	1	1	1	1
Management Assts.	13	12	13	14	17	17
Property Specialist	5	5	5	5	6	7
Economic Planner	2	2	1	1	1	1
Noise Abatement	2	2	2	2	2	2
Mgr. License & Permits	0	0	0	1	1	1
Airfield Safety	38	36	36	34	31	31
Operation Sup/Coord.	11	9	8	8	8	8
Communications	34	34	35	36	45	45
Transit Planner	3	3	3	3	3	3
Parking Manager	0	0	1	1	1	1
Duty Manager	4	6	7	7	7	7
Total	112	109	112	113	123	125

Category	1985	1986	1987	1988	1989	1990
PROFESSIONALS P/T						
Technicians						
Engineers/Inspectors	87	82	55	64	52	80
Traffic Engineers	3	3	3	3	5	5
Reproduction	2	2	2	2	2	3
Planner/Scheduler	2	2	2	2	2	2
Radio Technician	4	5	6	6	6	7
BPC Project Managers	2	6	6	6	6	6
Architects	6	6	6	6	6	6
Total	106	106	80	89	79	109
Protective Services						
Airport Police Officer	152	156	156	156	168	172
Airport Service Officer	42	58	58	66	80	80
Total	194	214	214	222	248	252
Paraprofessional	0	0	0	0	0	0
Office/Clerical						
Secretary	47	49	51	51	51	51
Accountants	25	26	23	23	23	23
Payroll	4	4	4	4	4	4
Personnel	7	7	9	9	9	9
Data Processing	4	5	5	6	7	10
Inventory Clerk	1	1	1	1	1	2
Total	88	92	93	94	95	99

SFIA Personnel Category

Table 18 *(continued)*

Category	1986	1986	1987	1988	1989	1990
Skilled Craft						
Carpenters	7	7	7	7	7	8
Auto Mechanics	14	14	14	14	14	14
Painters	9	9	9	9	9	11
Plumbers	15	16	17	18	18	18
Steamfitters	7	7	7	7	7	7
Sheet Metal Wks.	2	2	4	4	4	6
Electricians	34	33	35	36	36	36
Stationary Engineers	56	56	56	56	56	56
Operating Engineers	4	4	4	4	4	4
Truck Drivers	8	7	7	7	7	7
Maint. Supervisors	2	2	2	2	2	2
Total	158	157	162	164	164	169
Service/Maintenance						
Custodians	209	223	225	238	238	239
Gardeners	11	10	10	10	10	10
Laborers and Asphalt Wks.	25	25	28	27	28	16
Total	245	258	263	275	274	275

Category	1986	1986	1987	1988	1989	1990
Exempt						
Director of Airports	1	1	1	1	1	1
Deputy Director	3	3	3	3	3	3
Terminal Const. Admin.	1	1	1	1	1	1
Commission Secretary	1	1	1	1	1	1
Chief of Police	1	1	1	1	1	1
Dir. Com. Aff.	1	1	1	1	1	1
Curator	4	4	3	3	6	9
Dir. Exhibitions	0	0	1	1	1	1
Total	12	12	12	12	15	18
Commissioners	5	5	5	5	5	5
Total Airport Positions	925	968	949	985	1014	1085

San Francisco International Airport

The Future

SFIA Master Plan

SFIA has developed a master plan to guide it into the future

In order to address future SFIA needs (facilities, services, etc.) a master plan was developed in 1989.

This Master Plan provides the Airport with a comprehensive set of plans, guidelines, policies, and conditions which will serve as a framework for decision-making and implementation of facilities over the next 15 years. The stated purpose of the master plan is:

1. To provide a coordinated development plan that will consolidate and relocate many of the existing landside facilities in order to increase the efficiency and cost-effectiveness of landside operations.
2. To respond to the projected economic growth of the Bay Area and ensure that the future development required to meet that demand at the airport is implemented in a manner compatible with the plan.

To meet these two objectives the Master Plan is a stated attempt to balance the often competing requirements of airport tenants, passengers, surrounding communities, and the general public.

* *San Francisco International Airport, Final Draft Master Plan Nov. 1989*

*Summary of estimated near/long-term program requirements**

Table 20

Terminal Area	Existing [illegible]	Near-Term Forecast 1998	Long-Term Forecast 2008
Annual Passengers (x 1,000)	25,874	42,280	51,330
Peak Hours Enplanements	8,700	9,200	10,700
Terminal Gates	80	99	103
Terminal Area (SF)	2,566,000	3,903,750	3,218,750
Remote Aircraft Handstands	9	12	15
Airline Support			
Catering (SF)	45,490	62,000	73,000
Airline Administration (SF)	135,868	187,000	217,000
Misc. Support Facilities (SF)	90,244	124,000	144,000
Total Area (SF)	271,602	373,000	434,000
Cargo			
Airfreight (tons)	420,000	578,000	656,000
Warehouse/Ops Area (SF)	338,000	644,000	860,000
Administration Area (SF)	121,000	166,000	171,000
Total Area (SF)	858,000	1,013,000	1,121,000
Mail Facility (SF)	168,000	209,000	250,000
Cargo Aircraft Parking	15	24	28

Airline Maintenance	Existing 1988	Near-Term Forecast 1998	Long-Term Forecast 2008
Hangars/Shops (SF)	361,000	529,000	567,000
Administrative (SF)	97,000	132,000	149,000
Total Area (SF)	458,000	661,000	746,000
Airline Maintenance Aircraft Parking	34	49	56
General Aviation			
FBO and GA Hangar (SF)	88,112	88,112	88,112
GA Aircraft Tie-Downs (mixed)	48	48	48
Airport Support			
Airport Administration (SF)	65,564	74,100	78,500
Airport Maintenance (SF)	100,000	137,600	160,000
CFR (SF)	27,000	52,000	52,000
Airport Police (SF)	4,500	6,000	7,000
Total Area (SF)	197,884	269,700	297,500
Other Facilities			
Educational (SF)	26,200	26,200	26,200
Commercial (SF)	298,296	368,141	420,820
Total Area (SF)	324,496	295,341	447,020

* *San Francisco International Airport: Final Draft Master Plan, November 1989; pp. 2.7–2.9*

Aviation Forecasts

Forecasts of aviation activity were developed in the SFIA master plan to provide a framework for the planning of future facility improvements at SFIA. These forecasts include passenger, operations, and airfreight demand for the airport and have been used to determine peak-hour airport demand of airside and landside capacity constraints.

It is important to note that the aviation forecasts prepared for the Master Plan were based on the projected economic growth of the Bay Area region which the airport serves. **San Francisco International Airport** is reactive to the economic growth or decline of the Bay Area.

Passenger Forecasts

SFIA is expected to continue to support the major share of the passenger demand of the region. Because of its relationship to the central business district and its importance as an interactive gateway, the plan predicts that SFIA will "continue to be the preferred destination airport for the Bay Area".

The master plan forecasts that international passenger activity, if current trends continue and there is no significant change in the economic environment, could add an additional 110 percent by the year 2006 to that experienced at the airport in 1988. If the international and total passenger forecasts for SFIA are realized, the international component would increase from 11 percent to 14 percent of the airport's annual traffic by the year 2006.

The passenger forecasts for SFIA are summarized in Table 21. The "unconstrained" forecast is based on projecting a continuation of the existing pattern of growth in the Bay Area with subsequent required improvements in airfield capacity, regional ground access and landside components. The "constrained" forecast describes the possible effect on future passenger levels if additional and restructured airport facilities are not available to meet demand.

In addition to the forecasts for total passenger activity, international passenger enplanements are projected to increase from 11.3 percent of total airport enplanements in 1989 to over 14 percent in 2006. Peak-hour passenger forecasts for the average day of the peak month and the peak hour of the average day are expected to increase from 50,700 to 90,100 and 9,900 to 15,800, respectively, through 2006.

San Francisco International Airport Passenger Forecasts

Table 21

Year	Actual	Growth (%)	Master Plan–Unconstrained Forecast	Growth (%)	Master Plan–Constrained Forecast	Growth (%)	FAA Forecast	Growth %
1980	21,338,383							
1981	19,848,491	-7.0						
1982	21,024,026	5.9						
1983	23,154,590	10.1						
1984	24,134,127	4.2						
1985	25,018,395	3.7						
1986	28,874,068	15.4						
1987			30,320,000	5.0	30,320,000	5.0	26,992,000	-6.5
1988			31,740,000	4.7	31,620,000	4.3	27,937,000	3.5
1989			33,140,000	4.4	32,780,000	3.7	28,915,000	3.5
1990			34,520,000	4.2	33,810,000	3.1	29,926,000	3.5
1991			35,870,000	3.9	34,720,000	2.7	30,525,000	2.0
1996			42,280,000	3.3	37,780,000	1.7	33,536,000	1.9
2001			47,380,000	2.3	39,170,000	0.7		
2006			51,330,000	1.6	39,760,000	0.3		

Airfreight Forecasts

Domestic cargo loaded at SFIA has been severely affected by the competition provided by Oakland and San Jose Airports. Over the last 10 years, Bay Area cargo has grown by 4.4 percent whereas SFIA tonnage loaded has declined by 23 percent, and its share of the market has slipped from 95 percent to only 70 percent in the same period. It is estimated that SFIA will maintain a share of domestic cargo as it transships international cargo. The forecast for SFIA, as summarized in Tables 22 and 25, reflects a continuation of this trend with only limited growth over the forecast period.

It is anticipated that international airfreight will continue to be the major growth component of airfreight at SFIA. International cargo has increased from 20 percent of the total tonnage in 1975 to 40 percent in 1986. Forecasts for international cargo predict that this percentage will increase to 50 percent by the year 2006. While Oakland may in the future increase its handling of international freight, SFIA will continue to be the airport of choice for international cargo. Tables 24 and 25 summarize the forecast for both loaded and unloaded international cargo through 2006."

Table 22: Domestic Cargo, Unloaded (tons)

Year	Actual	Growth %	Master Plan Forecast	Master Plan Growth %
1980	122,862			
1981	122,186	-0.6		
1982	104,994	-14.1		
1983	112,916	7.5		
1984	132,754	17.6		
1985	110,289	-16.9		
1986			129,800	17.7
1991			152,500	3.3
1996			170,400	2.2
2001			184,600	1.6
2006			195,800	1.2

Table 23: Domestic Cargo, Loaded (tons)

Year	Actual	Growth %	Master Plan Forecast	Master Plan Growth %
1980	150,056			
1981	141,932	-5.4		
1982	126,823	-10.6		
1983	135,895	7.2		
1984	144,076	6.0		
1985	114,747	-20.4		
1986			133,000	
1991			136,800	0.6
1996			140,100	0.5
2001			139,700	-0.1
2006			136,400	-0.5

Table 24: International Cargo, Loaded (tons)

Year	Actual	Growth %	Master Plan Forecast	Master Plan Growth %
1980	41,851			
1981	43,289	3.4		
1982	44,151	2.0		
1983	46,436	5.2		
1984	56,871	22.5		
1985	60,486	6.4		
1986			66,100	9.3
1991			92,300	6.9
1996			112,700	4.1
2001			129,800	2.9
2006			144,000	2.1

Table 25: International Cargo, Unloaded (tons)

Year	Actual	Growth %	Master Plan Forecast	Master Plan Growth %
1980	36,498			
1981	42,972	17.7		
1982	44,327	3.2		
1983	70,814	59.8		
1984	93,595	32.2		
1985	92,859	-0.8		
1986			91,100	-1.9
1991			127,500	7.0
1996			155,800	4.1
2001			180,300	3.0
2006			201,500	2.2

Maintenance & Operations Costs

Maintenance and operations costs and debt service are presented in tables 26 and 27.

The long term future of SFIA is a guess in terms of what can be expected and anticipated as revenues (sources and mix) overtime and expenditures for O&M and capital plans. A great deal depends on SFIA's maintaining a high quality economic and competitive service to passengers and airlines alike. The factors that affect demand, however, often lay beyond the influence of SFIA directly; international politics, oil prices, etc.

Running SFIA "like a business" which is the current general management philosophy seems the best approach for the future.

Maintenance and Operations Costs
San Francisco International Airport

Table 26

Maintenance & Operations Costs:	FY1985A	FY1986	FY1987	FY1988	FY1989	FY1990F
Administration:						
Salaries & Wages	$ 3,164,335	$ 3,725,790	$3,180,259	$3,750,959	$ 3,959,512	$ 4,339,625
Other Contractual Services	397,987	561,564	531,621	1,305,187	1,622,138	1,777,863
Services of other Dept.	1,394,609	1,598,982	1,260,407	1,461,507	1,186,912	1,300,856
Professional Services	661,290	456,757	866,983	1,951,647	1,066,291	1,168,655
Other	2,577,798	2,685,875	7,947,479	3,625,873	4,587,094	5,027,455
Administration	$8,196,019	9,028,968	13,786,749	12,095,173	12,421,947	13,614,454
Operation:						
Salaries & Wages	11,390,333	12,506,454	12,394,231	13,116,302	14,008,267	15,353,061
Other Contractual Services	457,328	563,931	615,290	693,745	709,221	1,296,249
Services of other Dept.	52,205	489	23,324	10,844	29,716	32,569
Professional Services	0	0	329,589	231,907	62,441	68,435
Garage Management	4,209,015	4,458,130	5,237,832	5,972,212	6,376,453	6,988,592
Fire Department	4,990,499	5,048,395	5,093,911	5,289,506	5,961,720	6,534,045
Other	1,900,217	2,156,017	2,176,274	2,229,827	2,297,965	2,518,570
Operation	23,343,376	25,092,104	26,269,376	27,962,482	29,919,271	32,791,521
Maintenance:						
Salaries & Wages	15,990,979	16,936,859	17,580,980	20,606,415	21,824,889	23,920,078
Other Contractual Services	457,328	563,931	615,290	693,745	709,221	777,306
Services of other Dept.	213,763	217,755	63,462	38,368	34,322	37,617
Engineer/Professional Services	595,779	632,516	746,072	711,450	802,409	879,440
Utilities	7,851,746	8,270,263	6,586,105	6,486,309	7,044,216	7,720,461
Maint.-Elevator, Escalator Building., Structural	2,255,687	2,320,077	2,225,240	3,202,515	2,651,784	2,906,355
Other	1,609,283	1,875,398	1,925,872	1,878,840	2,312,087	2,534,047
Maintenance	28,974,565	30,816,799	29,743,021	33,617,642	35,378,928	38,775,305
Maintenance & Operation Costs	$ 60,513,960	$ 64,937,871	$ 69,799,146	$ 73,675,297	$ 77,720,146	$ 85,181,280

Maintenance and Operations Costs
San Francisco International Airport

Table 26 *(continued)*

Maintenance & Operations Costs:	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996
Administration:						
Salaries & Wages	$ 4,738,871	$ 5,070,592	$ 5,425,533	$ 5,805,320	$ 6,211,693	$ 6,646,511
Other Contractual Services	1,941,427	2,077,327	2,222,739	2,378,331	2,544,814	2,722,951
Services of other Dept.	1,420,534	1,519,972	1,626,370	1,740,216	1,862,031	1,992,373
Profesalonal Services	1,276,171	1,365,503	1,461,088	1,563,365	1,672,800	1,789,896
Other	5,489,981	5,874,280	6,285,479	6,725,463	7,196,245	7,699,982
Administration	14,866,984	15,907,673	17,021,210	18,212,694	19,487,583	20,851,714
Operation:						
Salaries & Wages	16,765,542	17,939,130	19,194,869	20,538,510	21,976,206	23,514,540
Other Contractual Services	1,415,504	1,514,589	1,620,611	1,734,053	1,855,437	1,985,318
Services of other Dept.	35,565	38,055	40,718	43,569	46,619	49,882
Profesalonal Services	74,731	79,963	85,560	91,549	97,958	104,815
Garage Management	7,631,543	8,165,751	8,737,354	9,348,968	10,003,396	10,703,634
Fire Department	7,135,177	7,634,640	8,169,064	8,740,899	9,352,762	10,007,455
Other	2,750,278	2,942,798	3,148,793	3,369,209	3,605,053	3,857,407
Operation	35,808,341	38,314,925	40,996,970	43,866,757	46,937,430	50,223,051
Maintenance:						
Salaries & Wages	26,120,726	27,949,176	29,905,619	31,999,012	34,238,943	36,635,669
Other Contractual Services	848,818	908,236	971,812	1,039,839	1,112,628	1,190,512
Services of other Dept.	41,078	43,953	47,030	50,322	53,844	57,614
Engineer/Professional Services	960,349	1,027,573	1,099,503	1,176,469	1,258,821	1,346,939
Utilities	8,430,743	9,020,895	9,652,358	10,328,023	11,050,984	11,824,553
Maint.-Elevator, Escalator Building., Structural	3,173,740	3,395,902	3,633,615	3,887,968	4,160,126	4,451,334
Other	2,767,180	2,960,882	3,168,144	3,389,914	3,627,208	3,881,113
Maintenance	42,342,633	45,306,617	48,478,081	51,871,546	55,502,555	59,387,733
Maintenance & Operation Costs	$ 93,017,958	$ 99,529,215	$ 106,496,260	$ 113,950,998	$ 121,927,568	$ 130,462,498

Sources: FY 1985-FY 1989 Actual – Airports Commission Records
FY 1990-FY 1996 Forecast – Airports Commission Records and John F. Brown Company, Inc. Note: A – Actual, F – Forecast

Forecast of Debt Service Coverage

Table 27

Fiscal Year	Net Revenues (1)	Outstanding Bonds Debt Service Requirement (2)	Series E Bonds Debt Service Requirement	Total Debt Service	Forecast Debt Service Coverage per Resolution (3)	Forecast Debt Service Adjusted (4)
1989-90	$78,797,528	$39,287,335	—	$39,287,335	2.01	1.85
1990-91	91,611,126	39,309,850	$8,649,867	47,959,717	1.91	1.70
1991-92	88,451,976	39,358,018	7,782,673	47,140,691	1.88	1.73
1992-93	86,749,599	39,404,173	7,780,093	47,184,265	1.84	1.74
1993-94	85,324,902	39,454,085	7,782,328	47,236,413	1.81	1.77
1994-95	84,825,465	39,499,583	7,783,608	47,283,190	1.79	1.77
1995-96	86,147,434	39,543,573	7,778,458	47,322,030	1.82	1.81

1 Calculated pursuant to the Master Resolution by the Airport Consultant
2 San Francisco Airports Commission
3 Net Revenues divided by total debt service. Under the Resolution Net Revenues includes interest earnings on certain funds, including Bond funds.
4 Excludes income earned on Bond funds

TASK FORCE #4

DPW, PUC, PARKING AND CITY PLANNING DEPARTMENTS

FOR
MAYOR'S FISCAL ADVISORY COMMITTEE

April 14, 1992

This report is confidential and intended solely for the use and information of the client to whom it is addressed.

TASK FORCE #4 REVIEWED KEY ELEMENTS OF SEVERAL OF THE CITY'S DEPARTMENTS

ORGANIZATION	KEY INTERVIEWS	MFAC TEAM MEMBERS **
• Department of Public Works	Dick Evans	Ed McCrary—Skidmore Owings & Merrill
– Architecture	Norm Karasick	Scott Belzer—Waterman & Miller
– Building Inspection	Larry Litchfield	
– Building Repair	Roy Fong	
– Engineering *	Richard Cunningham	
– Street and Sewer Repair	Vitaly Troyan	
– Street Cleaning and Urban Forestry	John Roumbanis	
• Department of Parking and Traffic	Rina Cutler	
• Department of City Planning	Milt Edelin	
• Public Utilities Commission	Tom Elzey	Bud Moeller—Booz•Allen & Hamilton
– Hetch Hetchy	Andy Moran, Larry Klein	Bill Haynor—Bank of California
– Water Department	John Mullane, Chris Morioka	
– Utilities Engineering Bureau *	Dick Brandt	
– Light, Heat, & Power	Joe DiGrassa	
– Electricity & Telecommunications	Dan McFarland, Bill Micklin	
– PUC Administration	Ed Harrington	

* *Reviewed together*

** *Team support included: Michael Roche—Capital Strategix, Marty Kropelnicki—PG&E, Kevin John—Bank of America, and Fred Weiner—CAO*

THE KEY AREAS FOR DISCUSSION TODAY ARE SOME CROSS CUTTING COST/EFFICIENCY ISSUES AT DPW, IMPROVING PARKING AND TRAFFIC COLLECTIONS, MODIFYING SOME CITY PLANNING REVIEW PROCESSES, AND A LARGE FUTURE EXPENDITURE AT THE WATER DEPARTMENT

LONG-TERM REVENUE & COST TRENDS
City & County of San Francisco
Team 4 Summary

Departments Covered	Total Spending	Net Cost Pre-Chargeouts	Cost to General Fund	Issues			
				Revenue Enhancement	Cost Reduction	Quality/Image	Other
Public Works	$270 MM	$148MM	($1 MM)				
• Architecture				○	●	●	○
• Building Inspection				◒	○	○	○
• Building Repair				○	●	◒	○
• Engineering				○	●	○	○
• Street and Sewer Repair				◒	○	○	◒
• Street Cleaning and Urban Forestry				○	○	○	○
Parking and Traffic	$21 MM	$16 MM	$16 MM	●	○	◒	○
City Planning	?	?	?	◒	◒	●	○
Public Utilities Commission							
• Hetch Hetchy	$55 MM	($1 MM)	($1 MM)	◒	○	○	○
• Water Department	$61 MM	($24 MM)	($24 MM)	○	●	○	○
• Utilities Engineering Bureau				○	●	○	○
• Light, Heat, and Power	$46 MM	$46 MM	$4 MM	◒	○	○	○
• Electricity and Telecommunications				N/A	N/A	N/A	N/A
• PUC Administration				N/A	N/A	N/A	N/A

Potential Impact
● *High* ◒ *Medium* ○ *Low* *N/A = Not Available*

A CROSS CUTTING ISSUE AT SOME BUREAUS IN DPW IS THE LENGTHY, CUMBERSOME PROCUREMENT PROCESS FOR OUTSIDE SERVICES THAT EFFECTIVELY BIASES THE DECISION TOWARD BUILDING IN-HOUSE STAFF TO DO THE WORK

- The process is extremely cumbersome and time consuming

  - Multiple departments involved, each having an ability to delay the process
  - Lack of consistent procedures across departments
  - Inconsistent views on doing work in-house versus outside
  - No incentives in place to speed the process

- As a result, the City often has larger in-house staffs than comparable cities. This is true in spite of extremely competitive markets for some services in the city (e.g., architecture)

- A possible solution to reduce some of the contracting effort would be to let several annual blanket contracts to handle small projects on an expedited basis. This approach has been taken by several other cities (e.g., San Diego and San Jose)

- A broader review of the full cost of doing work in-house versus outside should be conducted

ANOTHER ISSUE AT DPW IS A RELATIVELY HIGH SALARY STRUCTURE AND JOB CLASSIFICATION SYSTEM THAT YIELDS HIGH COST AND LOW EFFICIENCY

- A review of DPW craft trade salaries showed them to be effectively 20% to 30% higher than private industry. Hourly rates are similar, but City employees are guaranteed 52 weeks of income per year--unlike trades workers who are usually underutilized

- In the same vein, some DPW professional salaries reviewed were also up to 20% higher than outside firms, as shown in the example above

- These high salaries are driven, in part, by union influence, but supported by management's desire in some cases to build staff

- There are also some instances of extreme inefficiency due to job classifications. For example, in the Bureau of Building Repair, the lack of a separate worker trade classification as in other cities results in electricians handling routine maintenance items such as changing light bulbs

IMPROVING THE SALARY AND JOB STRUCTURE TO MATCH PRIVATE INDUSTRY'S COST POSITION WILL REQUIRE DEALING WITH THE UNIONS

- Demonstrate to the unions the
  - Gap between City salaries and private industry
  - Penalty paid by the City for maintaining such practices
- Negotiate revisions in
  - Job classifications
  - Work practices
  - Salary setting formulas

IF SUCH CHANGES ARE NOT MADE, IT WILL BE EXTREMELY DIFFICULT FOR THE CITY TO JUSTIFY CONTINUING WITH ITS LARGE IN-HOUSE STAFF

THERE IS AN OPPORTUNITY TO ENHANCE THE CITY'S REVENUES THROUGH MODIFICATION OF THE COLLECTIONS PROCEDURES IN THE DEPARTMENT OF PARKING AND TRAFFIC

- Today, the City collects only 64% of its potential citation revenue. This is in sharp contrast to some cities (e.g., Boston) with collection rates over 80%

- If collections are improved by 10 percentage points, the City would receive additional revenue of $7 million per year

- Two options exist to improve collections

  - Move responsibility to Parking and Traffic (from the Municipal Courts)
  - Use a private collection agency

TO EFFECT EITHER OF THE SUGGESTED CHANGES WILL REQUIRE A LEGISLATIVE CHANGE

A MODIFICATION TO THE REVIEW PROCESS AT CITY PLANNING COULD GREATLY IMPROVE THE CITY'S IMAGE WITH THE BUSINESS COMMUNITY AND HOME OWNERS

- The current permit review process allows intervention by multiple parties at multiple times in a costly manner to the City and applicants

  - Creates lengthy delays. For example, EIRs may take up to 18 months compared to a 6 to 8 month target at other cities
  - Process (i.e., discretionary review) is abused by those wishing to stall projects
  - Some fees charges cover less than 10% of the cost of the review
  - Creates an anti-improvement, anti-business atmosphere

- Several solutions could be used to improve this process

  - Raise fee structure and/or require posting of a bond to better cover costs of reviews and reduce inappropriate reviews
  - Move small projects (i.e, single family alterations) to the Bureau of Building Inspection (an enterprise fund) to have fees cover costs, speed processing, and significantly reduce City Planning workload. This approach is used in San Jose
  - Consider an added fee for expedited processing, such as at BBI
  - Establish EIR processing targets consistent with best practices at other cities

- These changes could be made primarily through department policy revisions

THE WATER DEPARTMENT IS FACING A LARGE CAPITAL EXPENDITURE WHICH WILL SIGNIFICANTLY RAISE RATES AND SHOULD BE MONITORED CLOSELY

- The federal government has passed a set of drinking water requirements for the nation that include mandatory filtering. The City would need to have such a filtration plant operational by 1998

- The filtration plant cost for the City, depending on whether the plant is sized for the total water supply (i.e., suburban wholesale water included) or just the City's portion, is expected to be around $300 to $500 million. This would have a noticeable impact on rates as early as 1994, depending on the phase in plan implemented

- However, the source of water (snow melt) and water collection and transmission infrastructure (granite beds and man-made aquaducts) lead our water to be significantly more clean than the water typical in other parts of the country

- There is debate over the need to filter our water. There are clearly some benefits (e.g., avoiding potential contaminants that could develop in the future, flexibility to take other water sources). However, the cost impact will be large. It is possible that a lobbying effort to focus on drinking water standards of cleanliness versus mandatory filtration and/or an exception for the City could potentially give us greater flexibility in timing and sizing while also limiting rate increases for customers.

LASTLY, DESPITE THE APPARENT DUPLICATE ENGINEERING ORGANIZATIONS IN THE PUC AND DPW, WE DO NOT RECOMMEND CONSOLIDATION OF THOSE GROUPS

- A concern had been raised that, with overlapping skills in the PUC and DPW engineering bureaus, there might be cost savings possible through consolidation
- A review of peer cities suggests that the scale benefits available though consolidation are minimal compared to the benefit available from having those groups focused on customer needs
- In fact, if the teaming and early scoping processes used in San Jose could be duplicated in concept here, the City might be able to save $XX million in annual engineering expenditures (about a 20% improvement)

WE RECOMMEND THE CITY ENGINEERING BUREAUS STUDY THE APPROACHES USED BY SAN JOSE TO REDUCE COST AND INEFFICIENCY DUE TO SCOPING AND DESIGN CHANGES

IN SUMMARY, WE SUGGEST THE FOLLOWING AREAS OF FOCUS AND POTENTIAL OPTIONS FOR MAYOR JORDAN TO IMPROVE THE COST EFFECTIVENESS AND REVENUE OF THE CITY

LONG-TERM REVENUE & COST TRENDS
City & County of San Francisco
Team 4 Summary

Departments Covered	Issues				Improvement Options					
	Revenue Enhancement	Cost Reduction	Quality/Image	Other	Dept. Procedures	Mayoral Policy	Board of Sup Policy	SF Charter	Legislative State/Fed	Other Action
Public Works										
• Architecture	○	●	●	○	●	○	○	○	○	○
• Building Inspection	◒	○	○	○	●	○	○	○	○	○
• Building Repair	○	●	◒	○	●	○	○	◒	○	○
• Engineering	○	●	○	○	●	○	○	○	○	○
• Street and Sewer Repair	◒	○	○	◒	○	○	○	◒	○	○
Parking and Traffic	●	○	◒	○	◒	○	○	○	●	○
City Planning	◒	◒	●	○	●	○	○	○	○	●
Public Utilities Commission										
• Water Department	○	●	○	○	○	○	○	○	●	○
• Utilities Engineering Bureau	○	●	○	○	●	○	○	○	○	○

Potential Impact
● *High* ◒ *Medium* ○ *Low*

356-55836. H/SF

Executive Summary

EVALUATION OF PUC DEPARTMENTS AND DPW BUREAU OF ENGINEERING

For

MAYOR'S FISCAL ADVISORY COMMITTEE

April 14, 1992

This report is confidential and intended solely for the use and information of the client to whom it is addressed.

BOOZ•ALLEN & HAMILTON INC.

OUR REVIEW ENCOMPASSED THE KEY DEPARTMENTS OF THE PUC PLUS THE DPW BUREAU OF ENGINEERING (GIVEN ITS SIMILARITY TO UEB)

DETAILED REVIEW
• Hetch Hetchy
• Water Department
• Utilities Engineering Bureau
• DPW Bureau of Engineering

NOT REVIEWED
• Light, heat and power—small retail department
• Electricity and telecommunications—undergoing significant scope change with new leader
• PUC Administration

THE NEXT THREE SECTIONS WILL SUMMARIZE OUR EVALUATION OF HETCH HETCHY, THE WATER DEPARTMENT, AND THE ENGINEERING BUREAUS (COMBINED). DETAILED REPORTS ON HETCH HETCHY, THE SF WATER DEPARTMENT, AND THE ENGINEERING BUREAUS HAVE BEEN PRODUCED SEPARATELY AS APPENDIX A, B, AND C RESPECTIVELY.

HETCH HETCHY'S RELATIVELY STABLE OPERATING COST LEVELS SHOULD CONTINUE INTO THE NEAR FUTURE, BUT CAPITAL EXPENDITURES ARE LIKELY TO RISE

- Operating and maintenance (O&M) costs for both plant and transmission have changed relatively little over the past 4 – 5 years, due to cost conservation efforts
  - Plant O&M average: $3.1 million/yr
  - Transmission O&M average: $10.4 million/year
- O&M costs are likely to rise at inflation for the forecast period (1992 – 1996)
- Capital allocations are more lumpy, reflecting the project nature of most items
  - Average: $5.7 million/year
  - Range from $3 million to $10 million
- Expectations are for capital allocations to exceed the average for the forecast period
  - Projects on the books are $5.1 million/year
  - This excludes any new projects beyond 1991

RELATIVE TO EIGHT OTHER HYDROELECTRIC UTILITIES, HETCH HETCHY'S STAFFING, O&M COSTS, AND CAPITAL EXPENDITURES ARE ON PAR

- Generating capacity per employee, a staffing efficiency ratio, is slightly better than expected, adjusted for scale differences

- O&M expenses per MW of capacity, an operating cost efficiency ratio, shows Hetch Hetchy to be lower than most others—about 10% below the average

- Capital expenditures per MW of capacity, a capital replacement ratio, are in line with the majority of peers

- Peers with plant and facilities 5 – 10 years older than Hetch Hetchy show similar O&M and capital costs—suggesting that near term aging should not drive expenditures upward. However, deferring O&M and/or capital projects can be a more costly path and should be avoided

ON BALANCE, HETCH HETCHY IS OPERATING EFFICIENTLY. THERE IS A LIMITED SET OF OPERATIONAL AND POLICY OPTIONS TO MONITOR AND CONSIDER AT THIS POINT

- Peer companies discussed two key O&M policies as major drivers of cost

  – Decentralization versus centralization
  – In-house staff versus contractors

  While Hetch Hetchy's O&M costs are fine today, these areas should be monitored for savings opportunities

- Accelerating maintenance and capital expenditures (e.g., on new technologies) can occasionally improve reliability and lower net operating costs. Management should seek out such opportunities and pursue them, when cost effective

- The current legislation and agreements limit some potentially beneficial activities. For example, energy conservation has, in many cases, a net cost to the city due to the revenue structure for incremental power sales. Review and modification of revenue and pricing agreements could provide the city with an enhanced contribution to the general fund

THE WATER DEPARTMENT'S COSTS OF PROVIDING RETAIL SERVICE TO THE CITY HAVE ALSO BEEN RELATIVELY STABLE. HOWEVER, A PROPOSED MAJOR CAPITAL PROJECT COULD RAISE COSTS SUBSTANTIALLY

- Operating costs, in constant dollars, have varied little in total, over the past four to five years, due to cost conservation efforts
  - O&M average: $6.8 million/year
  - Transmission and distribution (T&D) average: $9.3 million/year
  - Administrative and general (A&G) average: $16.1 million/year
- O&M costs are likely to rise above inflation for the forecast period due to expected increases in maintenance and repair of the aging mains and distribution infrastructure. T&D and A&G costs should rise with inflation
- Capital allocations are likely to increase from historic levels
  - Have averaged $18.8 million/year with $3 million variability
  - Future allocations should be closer to $30 million due to aging mains, impact of deferred capital programs, and studies for filtration project
  - A significant expenditure ($300 – $500 million) is expected over the next four to six years due to federally legislated filtration requirements
- The city could work to gain an exception to the legislation and/or have water quality standards that can be met versus mandatory filtration. This would buy time and options.

RELATIVE TO NINE COMPARABLE CITY WATER DEPARTMENTS, SAN FRANCISCO'S STAFFING, O&M COSTS, AND CAPITAL EXPENDITURES ARE PRETTY MUCH ON PAR

- Water delivery per employee (staff efficiency ratio) is on par with peers, given scale adjustments for SF's relative size

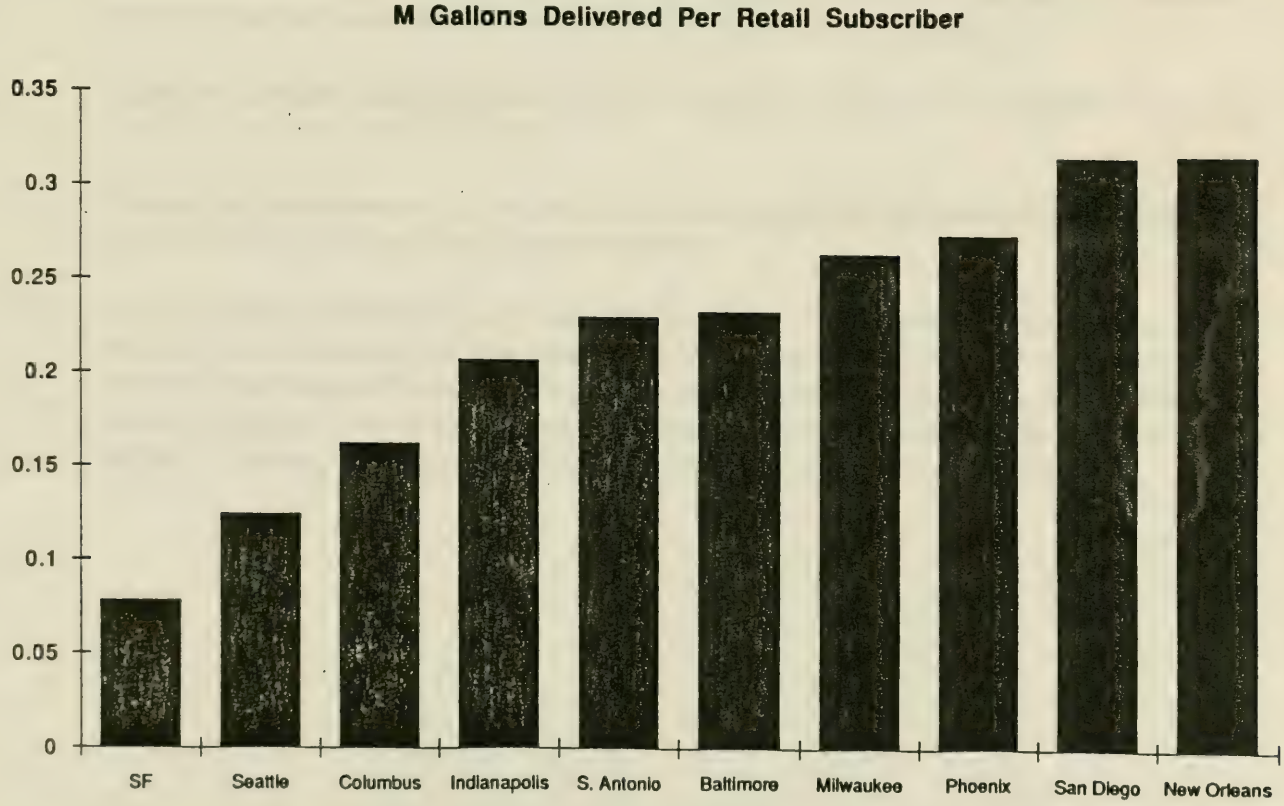
- T&D are slightly higher than peers on an absolute basis, but on par when adjusted for number of subscribers.

- G&A charges appear high. Part of this could be due to the PUC Bureau charges (about 35% of the total G&A cost), but some of those services are required in all cities.

- On balance, total operating charges are in line with peers--if not slightly better.

- Capital expenditures are quite high versus others, given the nature of our gathering and transmission system versus others. In addition, the aging infrastructure of SF drives capital expenditures for age-related items (such as mains replacement) upward on a relative basis.

ONE OF THE FACTORS WHICH CONTRIBUTES TO A HIGH CAPITAL AND OPERATING COST PER SAN FRANCISCO CUSTOMER IS THE LOW RELATIVE WATER USAGE IN OUR CITY— DESPITE A HIGHER VOLUME SYSTEM



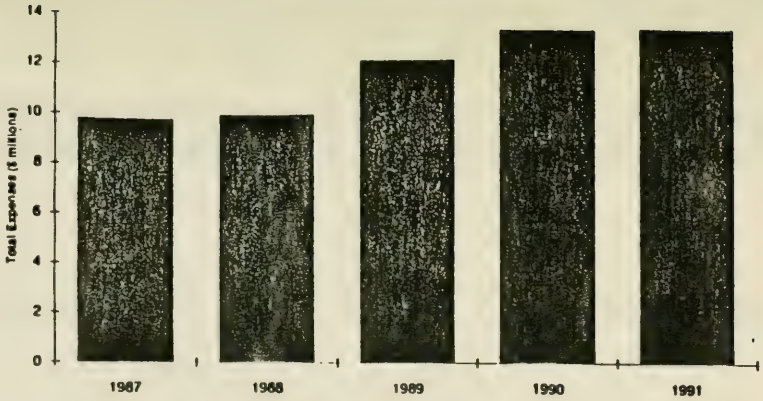
ON BALANCE, THE WATER DEPARTMENT IS OPERATING EFFICIENTLY. THERE IS A LIMITED SET OF OPERATIONAL AND POLICY OPTIONS TO CONSIDER AT THIS POINT

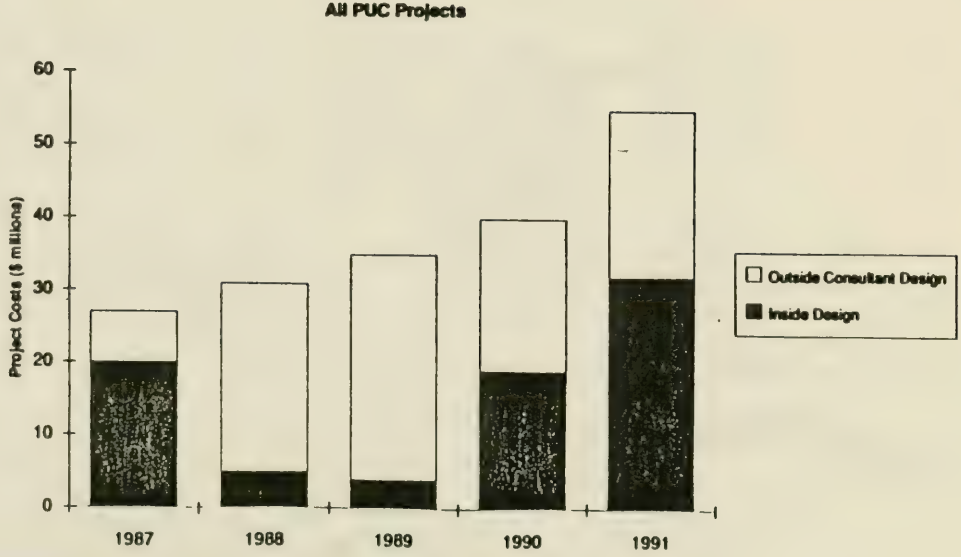
- Emphasize forward planning to better buffer the city from water shortages and to develop some creative options for future supplies and/or external cost controls

- Engage in planning beyond this horizon to anticipate and adjust for the impact of the large cost of the pending treatment facility

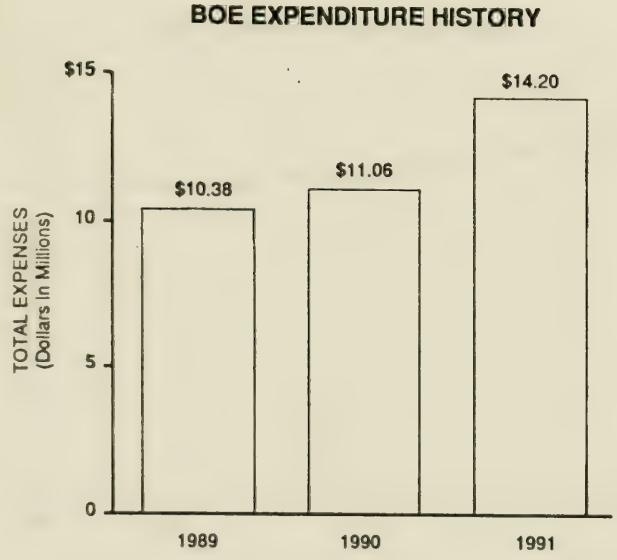
- Consider an innovative pricing structure to continue encouraging conservation, with an over-absorption of costs from higher water users

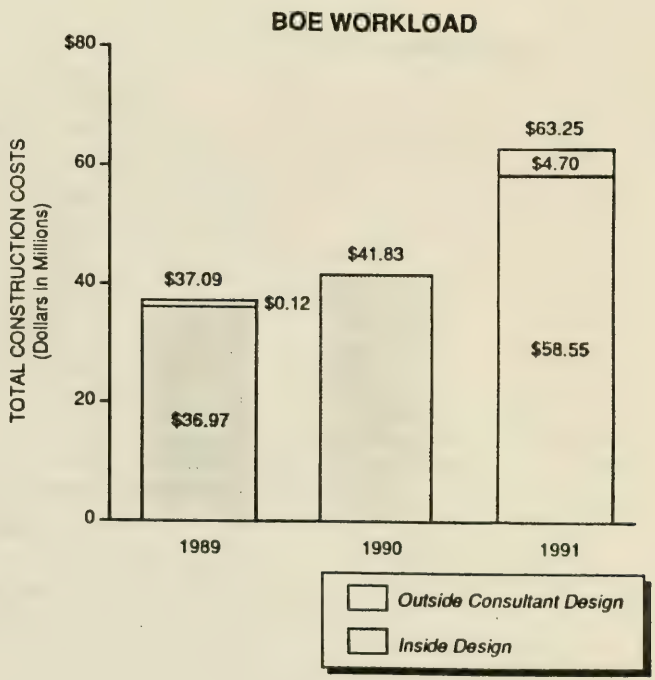
- Closely monitor the filtration plant expenditure options. This is a federal requirement and has long term benefits to the City (flexibility to use other water sources, protection from possible introduction of harmful substances into the water supply). On the other hand, having the option to meet a set of standards and/or more time to study options could be helpful. However, it may be too late to gain any sort of exemption at this time.


Total Expenses ($ millions)
14
12
10
8
6
4
2
0
1987
1988
1989
1990
1991


All PUC Projects
Project Costs ($ millions)
60
50
40
30
20
10
0
1987
1988
1989
1990
1991
Outside Consultant Design
Inside Design

THE PUC UTILITIES ENGINEERING BUREAU (UEB) AND DPW BUREAU OF ENGINEERING (BOE) HAVE BOTH EXPERIENCED RISING COST LEVELS—DRIVEN BY CLIENT WORKLOAD





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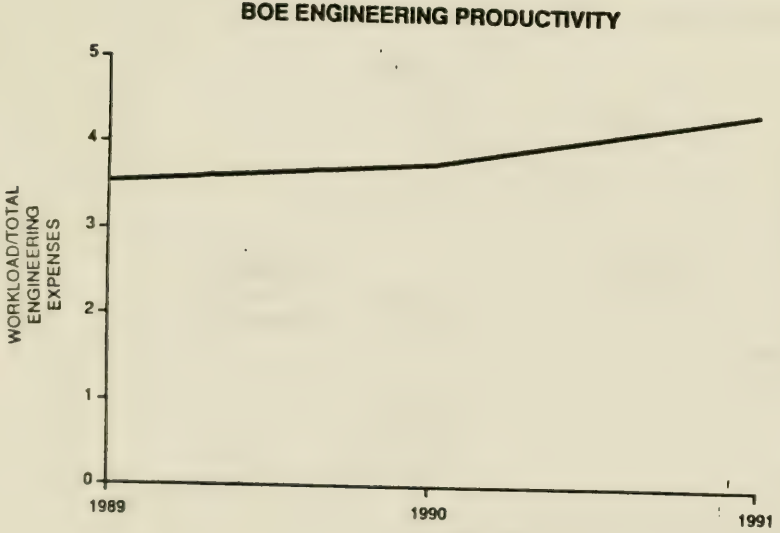
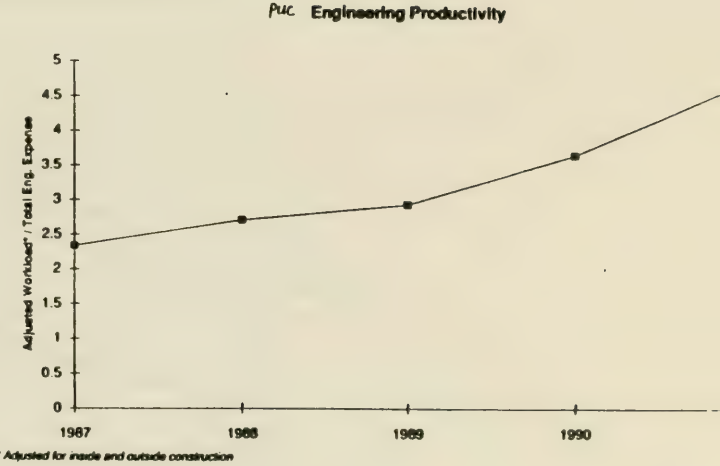
DESPITE RISING CLIENT DEMANDS, BOTH DEPARTMENTS HAVE BEEN ABLE TO STEADILY IMPROVE ENGINEERING PRODUCTIVITY OVER THE PAST FEW YEARS





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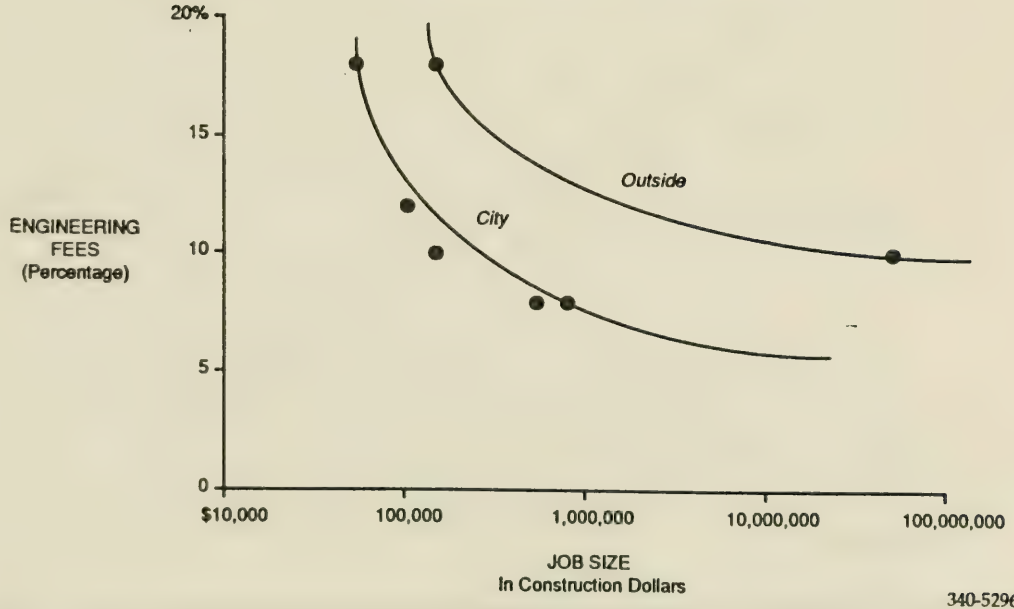
IT GENERALLY MAKES ECONOMIC SENSE TO DEVELOP AND UTILIZE CADRES OF IN-HOUSE ENGINEERS AS OPPOSED TO CONTRACTING WITH OUTSIDE FIRMS—UNLESS THE PROJECTS REQUIRE HIGHLY SPECIALIZED SKILLS

INSIDE FEES VERSUS OUTSIDE FEES



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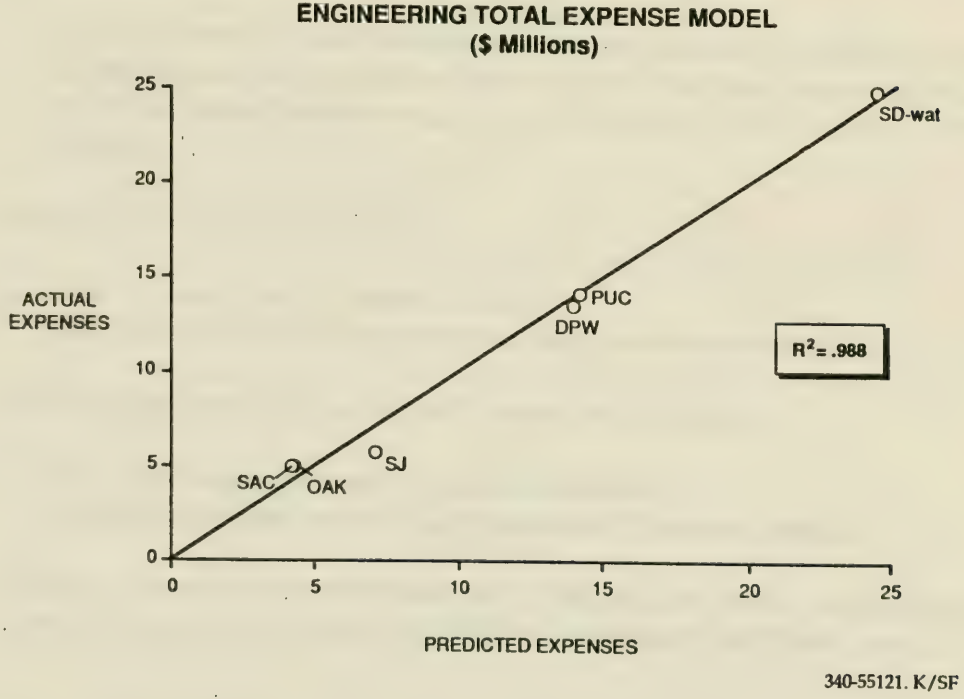
RELATIVE TO PEER CITIES, THE UEB AND BOE ARE AVERAGE COST PROVIDERS OF SERVICE—HOWEVER, SAN JOSE IS NOTICEABLY MORE COST EFFECTIVE



SAN JOSE'S COST SAVINGS AMOUNT TO ABOUT $1.5 MILLION OR ROUGHLY 20% OF THEIR TOTAL EXPENSES

SAN JOSE'S SUPERIOR COST PERFORMANCE IS DRIVEN BY TWO KEY ELEMENTS

- Better definition of project scope
  - This is a chronic problem for cities in general—according to cities and outside firms
  - Working closely in cooperation with the client (integrated leadership) to define project scope and elements earlier can yield several million dollars in engineering savings
- Lower support to professional ratio
  - May be due, in part, to fewer revisions
  - Also likely to be driven by operational approaches which are different
- The better performance is <u>not</u> driven by economies of scale
  - San Jose workload is smaller than San Francisco
  - No scale departmental advantages show up in the peer analysis
- Therefore, consolidation of UEB and BOE is not recommended—especially since this might drive both groups to be in worse contact and cooperation with their clients

WHILE ENGINEERING COST PERFORMANCE IS AVERAGE TODAY, SAN FRANCISCO COULD MOVE TOWARD EXCELLENCE OVER TIME WITH SOME REVISIONS

- Study the San Jose approach to capture the best elements
  - Scope definition/teamwork
  - Support staff
  - If San Francisco could work at San Jose's operating ratios, engineering savings could be a few million dollars peryear
- Consider appropriate staff sizing, given projected volume and mix of demand
  - UEB and BOE have growth and contracting goals which are quite dissimilar. There may be a strategy which better serves the projected workload with a mix of inside and outside staff that maximizes cost effectiveness
  - Avoid the temptation to staff up to fully meet projected special needs (e.g., water treatment plant) unless skills are likely to be transferable to other projects)

Appendix A

FINAL REPORT

HETCH HETCHY EVALUATION
FOR
MAYOR'S FISCAL ADVISORY COMMITTEE

April 14, 1992

This report is confidential and intended solely for the use
and information of the client to whom it is addressed.

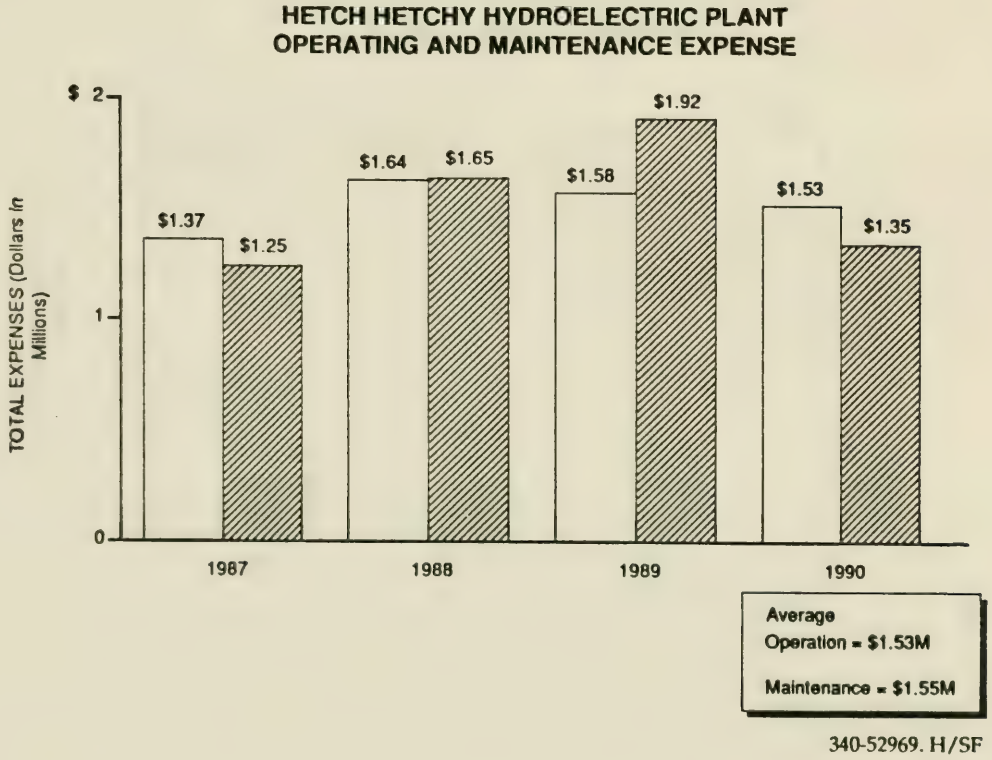
BOOZ•ALLEN & HAMILTON INC.

AGENDA

- HISTORIC COST AND OUTLOOK
- COMPARISON GROUP
- RESULTS AND OBSERVATIONS
- OPERATIONAL INSIGHTS AND OTHER ISSUES

HISTORIC COST AND OUTLOOK

PLANT OPERATING AND MAINTENANCE COSTS AT HETCH HETCHY HAVE BEEN RELATIVELY STABLE OVER THE PAST FOUR YEARS



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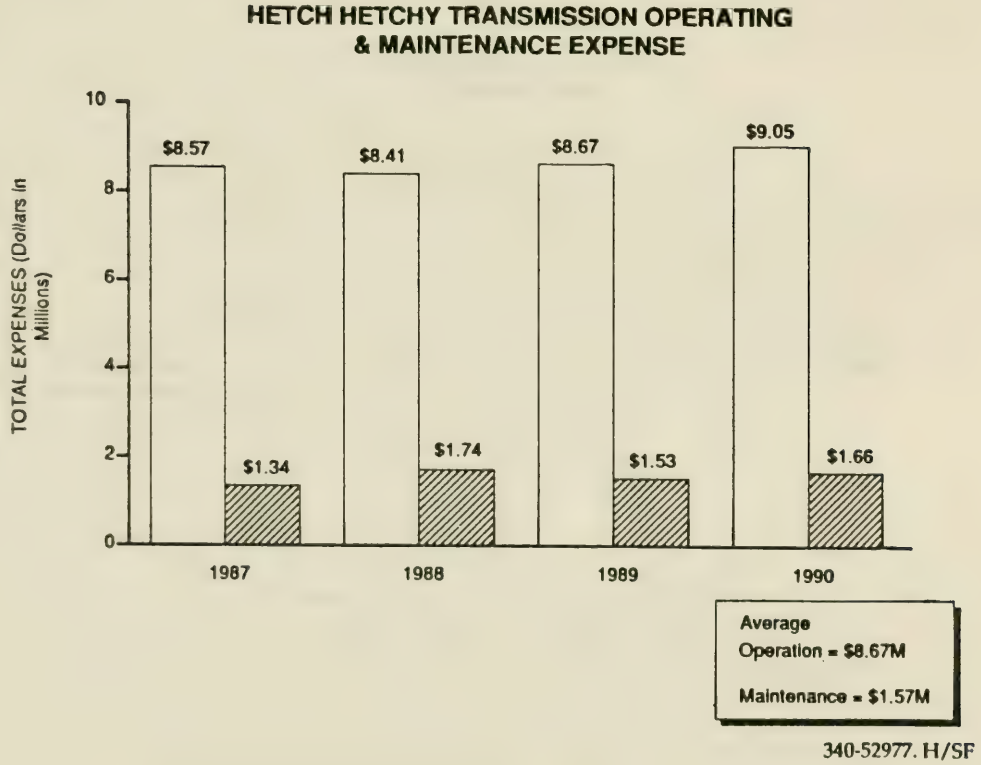
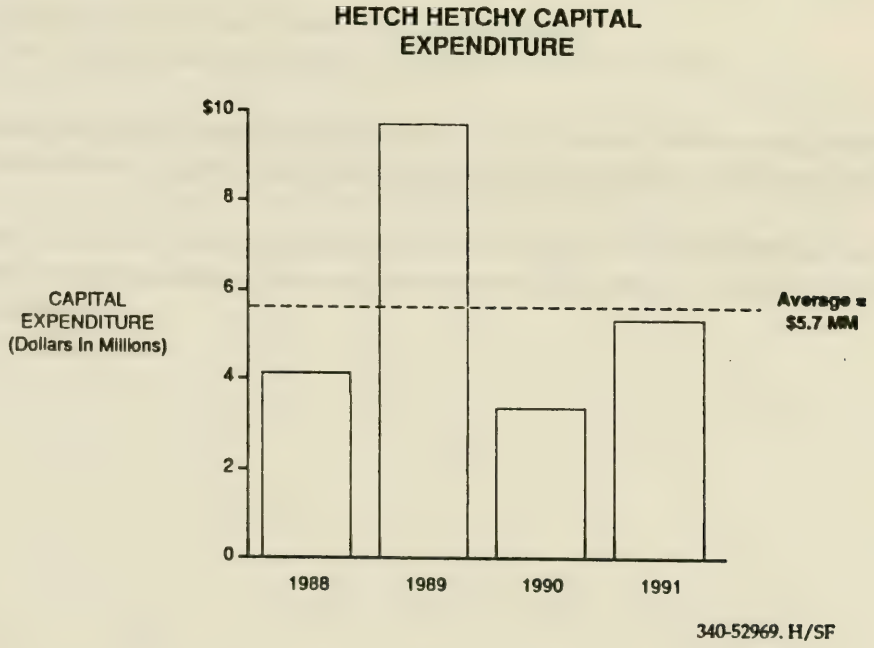
THE SAME RELATIVE STABILITY IS SEEN IN TRANSMISSION OPERATING AND MAINTENANCE COSTS



CAPITAL EXPENDITURES HAVE BEEN MORE LUMPY, REFLECTING THE PROJECT NATURE OF MOST ITEMS



CAPITAL BUDGETS, WHILE PROJECTED FOR SIX YEARS, PROBABLY UNDERSTATE THE LIKELY FUTURE EXPENDITURES

- Capital projects over the next six years are listed by Hetch Hetchy
  - Average annual expenditures are $5.1 million
  - Many projects are multi-year—running the full six year span
- However, no projects starting beyond 1991 are shown on the list—suggesting that there will likely be additional capital allocations required as new projects are approved each year
- Therefore, the $5.1 million projection is probably low, and with incremental projects going forward, capital allocations may well exceed the $5.6 million annually, that we have seen historically

OVERALL, WE ANTICIPATE NO SUBSTANTIAL CHANGE IN HETCH HETCHY COST LEVELS OVER THE NEXT FEW YEARS

- No major capital increases are projected, however actual requirements could grow by about $0.5-$1.0MM
- No significant plans for reorganization/headcount change—so operating costs should move with inflation
- Maintenance costs should also move with inflation

HOWEVER, ON THE REVENUE SIDE, THERE IS TREMENDOUS VARIABILITY IN WHAT CAN BE CONTRIBUTED TO THE GENERAL FUND

- Revenue is driven by the water that flows through the system
  - How much
  - When it flows (given complexity of MID and TID take on power and water)
- Historic variability in general fund contribution has been high
  - $25 million contribution during "normal" precipitation
  - $5 – $10 million today (with high purchased power costs and capital expenditure deferrals)
- We are unable to project revenues or general fund contribution for Hetch Hetchy given the uncertainty of precipitation each year. However, the range can be bounded parametrically, as shown above, providing some insight into possible outcomes

A CONSERVATIVE PROJECTION OF REVENUES AND COSTS FOR HETCH HETCHY LEADS TO AN EXPECTED CONTRIBUTION OF $___ TO $____ MILLION TO THE GENERAL FUND FROM 1992 TO 1996

(DATA WAS NOT AVAILABLE AT TIME OF PRINTING. ESTIMATES COULD RANGE FROM $0 TO $30 MILLION.)

COMPARISON GROUP

WE HAVE DEVELOPED A SET OF PEER COMPARISONS FOR HETCH HETCHY TO DETERMINE RELATIVE COST EFFICIENCY

- Hydro-based utility (over 50% of capacity mix)
- Similar capacity—between 100MW-2000MW
- Located in Western U.S.
- Mixture of public and private entities

THE PEER GROUP IS LOCATED IN NORTHERN CALIFORNIA, OREGON, AND WASHINGTON

UTILITY	PUBLIC/PRIVATE	CAPACITY (MW)	HYDRO CAPACITY (%)
Hetch Hetchy	Public	390	100%
Sacramento MUD	Public	597	83%
Eugene Water & Electric	Public	180	58%
Washington Water Power	Private	806	70%
Seattle City Light	Public	1,707	100%
Tacoma Public Utilities	Public	700	100%
Grant County Public Utility #1	Public	1,915	100%
Snohomish County Public Utility #1	Public	112	100%
Turlock Irrigation District	Public	185	79%

DESPITE THE SIMILARITIES, THERE ARE SOME MAJOR DIFFERENCES BETWEEN HETCH HETCHY AND THEIR PEERS WHICH MUST BE RECOGNIZED

- Hetch Hetchy has no residential customers, which should therefore decrease personnel requirements (eliminating billing, customer service, and other program functions) and reduce distribution expenditures

- Hetch Hetchy is 100% hydro versus a mix of generating types—which could affect operating and maintenance expenses and staffing levels

- Hetch Hetchy does not run all of the transmission required to deliver power to the distribution system—incurring wheeling charges from PG&E

TO ACCOUNT FOR THESE DIFFERENCES, SEVERAL ADJUSTMENTS WERE MADE TO HETCH HETCHY AND THE PEER DATA

- The comparisons are based on generating and transmission (G&T) requirements, excluding:
  - Distribution costs/personnel for peers
  - Planning, engineering, finance, administration, and other headquarters support services
  - Water-related costs (e.g., San Francisco Water Department's area) for all
- Non-hydro operating and maintenance costs, staff, and capital expenditures for peers were excluded, where possible
- Purchased power was excluded for all, to look at ongoing operations only
- Costs from minority positions in shared facilities were also excluded
- Hetch Hetchy's costs of transmission on PG&E's system (wheeling charges) were included, but PG&E's distribution charges were excluded, to calculate comparable delivered cost

THIS APPROACH ALLOWED US TO CAPTURE THE MAJORITY OF HETCH HETCHY'S POWER RELATED COSTS AND PEOPLE

EXAMPLE—1991 HETCH HETCHY BUDGET

	GEN. & TRANS	ADMIN & GENERAL	OTHER	MUNI	WATER	TOTAL AMOUNTS
Capital Expenditures	46%	—	—	1%	53%*	$15MM
Operating & Maintenance	36%	—	35% (Purchased Power)	—	—	$37MM
Personnel	59%	7%	3% (LH&P)	24%	7%*	229 People

* *Captured in S.F. Water Department analysis*

RESULTS AND OBSERVATIONS

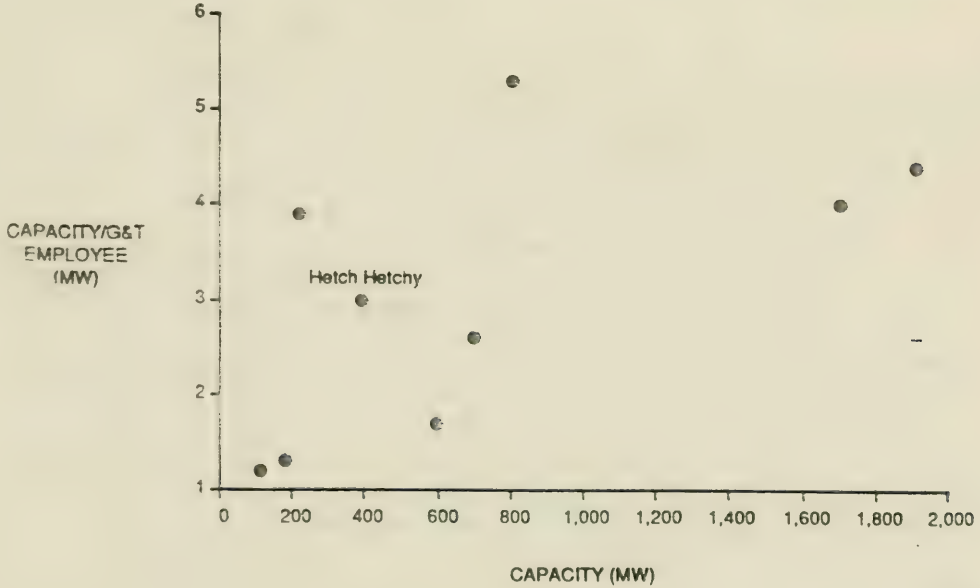
IN DEVELOPING PEER COMPARISONS, WE CONSIDERED SEVERAL MEASURES OF COST EFFECTIVENESS

- Capacity per employee (i.e., total amount of plant maintained per employee utilized in generation and transmission)
- Operating and maintenance expense per unit of capacity
- New capital cost per unit of capacity (i.e., how rapidly capital stock is turning over)

HETCH HETCHY'S FIGURES FOR CAPITAL AND O&M COSTS WERE AVERAGED FOR FIVE YEARS, TO SMOOTH OUT VARIATIONS (ESPECIALLY ON THE CAPITAL SIDE). CURRENT YEAR HEADCOUNT WAS USED

IT APPEARS THAT HETCH HETCHY IS RELATIVELY EFFICIENT IN EMPLOYEE HEADCOUNT FOR THE SIZE OF ITS GENERATING CAPACITY

CAPACITY PER GENERATION & TRANSMISSION EMPLOYEE



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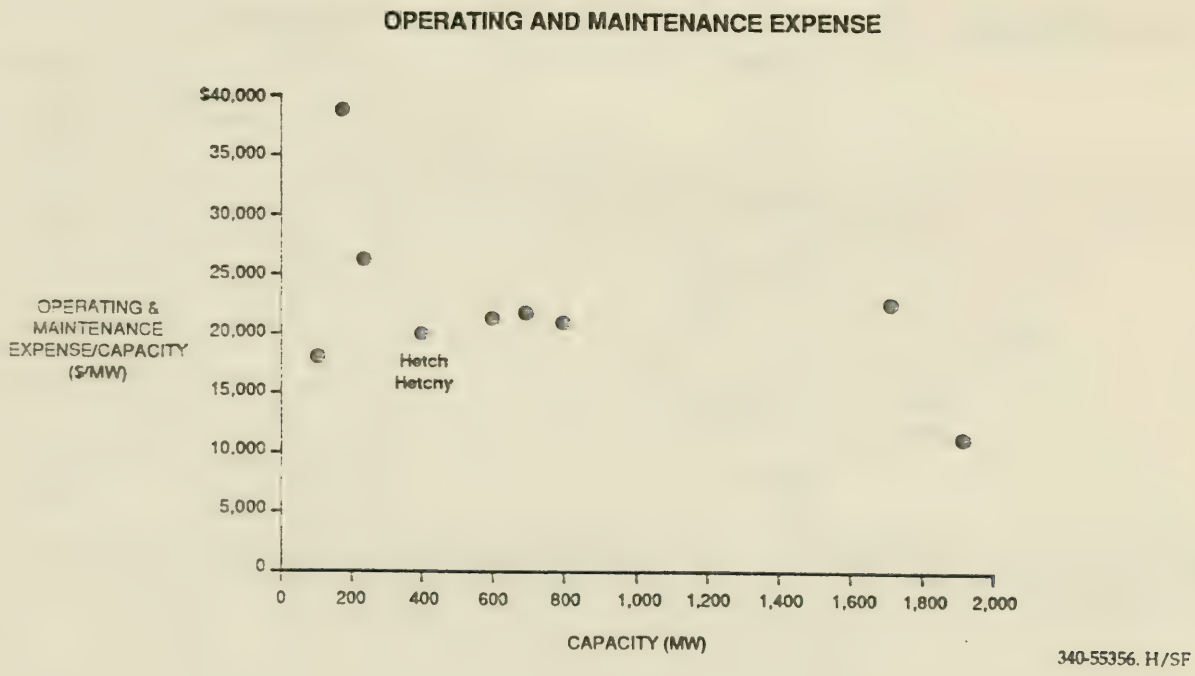
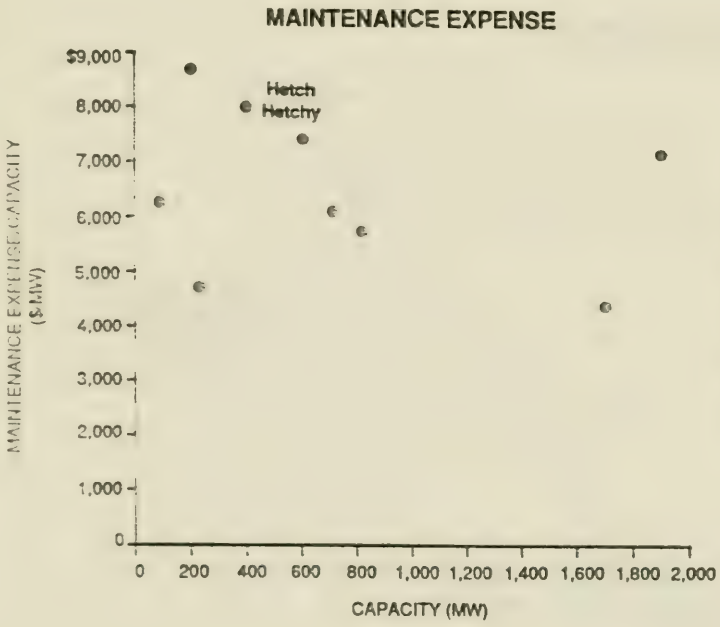
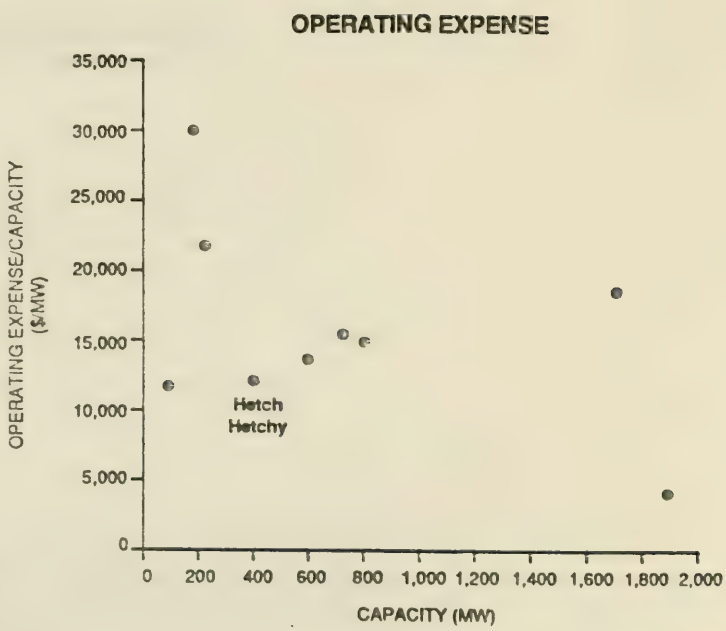
HETCH HETCHY'S O & M COSTS ARE LOWER THAN MOST IN THE PEER GROUP



MAINTENANCE COSTS APPEAR TO BE RELATIVELY HIGH, BUT IN LINE, GIVEN THE DISADVANTAGE OF SMALL SCALE, WHILE OPERATING COSTS ARE QUITE LOW





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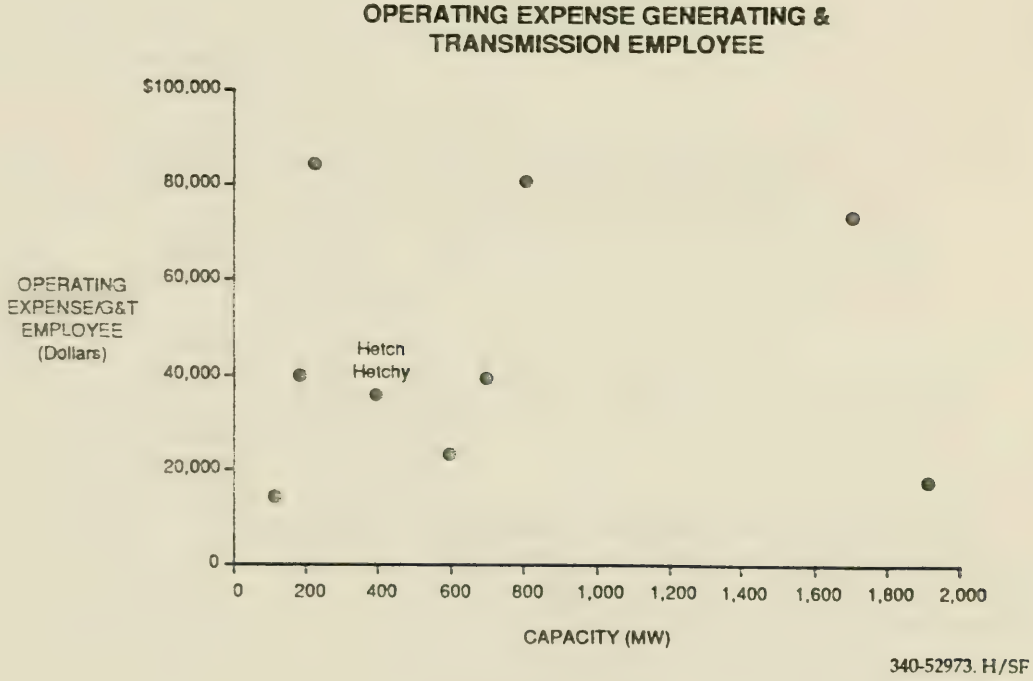
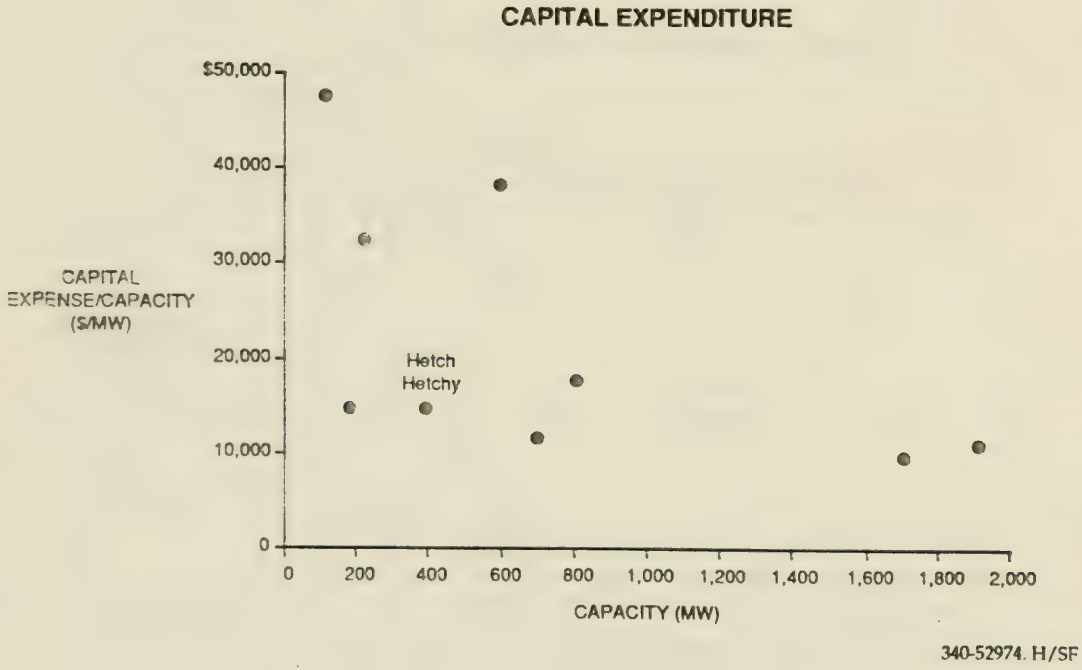
WHEN OPERATING EXPENSES (PREDOMINANTLY WAGES AND BENEFITS) PER EMPLOYEE ARE COMPARED, HETCH HETCHY IS IN THE MIDDLE OF THE PACK

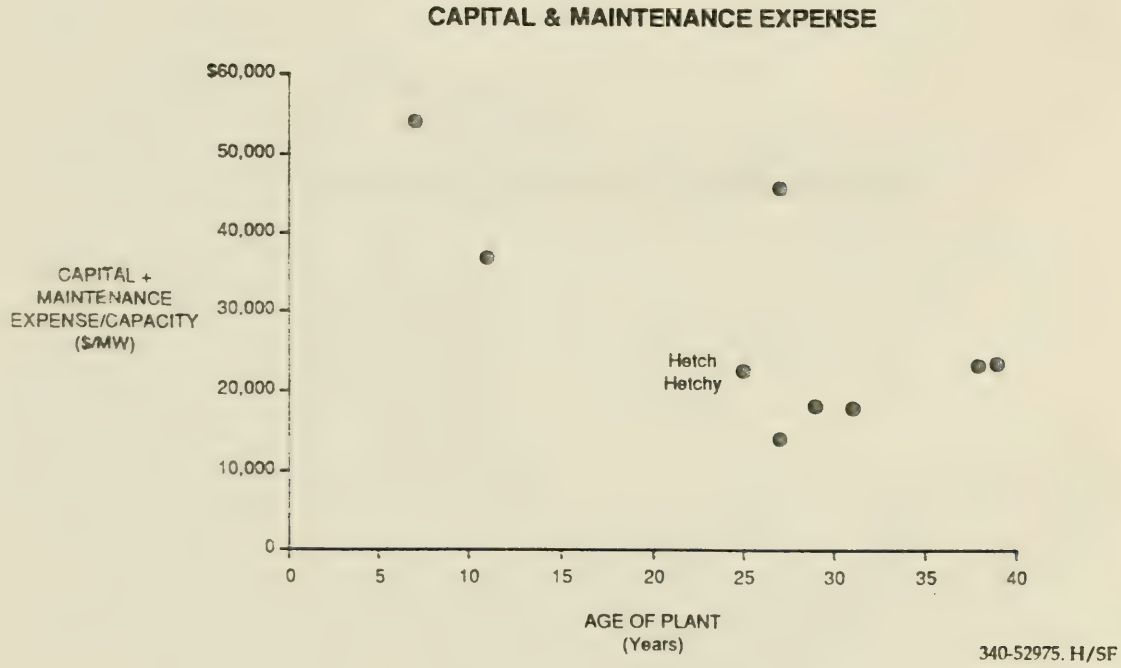


HETCH HETCHY HAS BEEN OPERATING WITH A MODEST CAPITAL BUDGET, IN LINE WITH MOST OF ITS PEERS ON A DOLLAR PER MW BASIS



Observations...

NO MAJOR CHANGES IN CAPITAL AND MAINTENANCE EXPENDITURES SHOULD BE EXPECTED IN THE NEXT FEW YEARS DUE TO PLANT AGING—AS ALONG AS EXPENDITURES ARE NOT DEFERRED CONSISTENTLY



OPERATIONAL INSIGHTS AND OTHER ISSUES

IN SUMMARY, HETCH HETCH COMPARES VERY FAVORABLY WITH THIS PEER GROUP — COSTS ARE LOW FOR THE SIZE OF FACILITIES AND NO MAJOR CHANGES ARE FORESEEN IN THE NEAR FUTURE

- Overall generation and transmission head count appears good versus peers, especially considering small scale
- Maintenance and capital costs appear in line with peers
- Operating costs appear low after PG&E distribution charges are excluded
- Projections of O&M costs should be driven primarily by inflation expectations—no major shifts are in sight. However, capital expenditures are likely to be above historical levels
- It is not beneficial to try to evaluate the efficiency of the remaining power employees (14 in A&G, 8 in LH&P) due to small number involved

CENTRALIZATION VERSUS DECENTRALIZATION OF THE MAINTENANCE WORKFORCE WAS SEEN BY SEVERAL UTILITIES AS A KEY ISSUE IN CONTROLLING OPERATING COSTS

- All utilities have their own maintenance crews and all of them performed most of the major work required during major plant overhauls
- Contracting out major overhauls was not a popular choice due to the loss of control and the high cost and time involved in setting up contracts as specified by the city's controlling body
- The variety/complexity of plants, the size of operation and the location of the plants were all seen as key factors in deciding how to organize the maintenance workforce
- Utilities that organize maintenance centrally state that costs can be spread between several plants and proper scheduling of regular maintenance can minimize downtime of employees and build expertise in particular jobs
- Utilities that have established maintenance crews attached to one location believe that by eliminating travel time more work can be achieved by their personnel. This requires personnel to be skilled in several trades and have job flexibility allowed under current union contracts
- Contracting out regular maintenance was seen as an option, however, this may limit rapid response to emergency situations

INCREASED FOCUS ON ENVIRONMENTAL ISSUES BY PUBLIC AND PRIVATE ORGANIZATIONS ARE RESULTING IN SIGNIFICANT CAPITAL EXPENDITURES BY SEVERAL UTILITIES

- Utilities that operate hydroelectric plants on river runs are experiencing significant interest from many groups on environmental performance. Issues mentioned include:
  - Fish screens
  - Indian reservation water and fish rights
  - Oil and grease leakage to rivers from bearings, seals, etc.
  - Asbestos brakes
- An increased activity level by the U.S. Fisheries department has led to more plant audits and suggestions for tighter environmental controls
- The public utility of Grant County is already committed to spending $30 million on fish screens at their Wanapum hydro facility and are fighting in the courts to avoid spending a further $30 million at their Priest Rapids facility
- New greaseless bearings and seals are being used at some hydro plants to avoid potential future problems of oil leaking into the river
- Asbestos brakes are being replaced by one utility to avoid a severely hazardous situation, if a runaway occurs and brake pads disintegrate

INVESTING IN PLANT MAINTENANCE IS SEEN AS ESSENTIAL TO AVOIDING LARGER CAPITAL EXPENDITURES IN THE FUTURE

- Most utilities believed in replacing and upgrading current equipment before the end of its useful life to avoid large capital expenditures and costly downtime when failures occur
- Some utilities invested early in new technology to maximize efficiency, ease maintenance problems and avoid environmental problems, e.g., replacing carbon steel runners with stainless steel runners
- Turlock Irrigation District follows these two policies and boast better than 98% reliability
- These policies are also seen as extending the useful life of the plant, spreading out major overhaul periods and avoiding sudden large rate increases to customers

THE CURRENT LEGISLATION AND AGREEMENTS LIMIT SEVERAL BENEFICIAL ACTIONS HETCH HETCHY COULD TAKE TO INCREASE REVENUE

- The regulatory system generally discourages energy conservation in city buildings—contrary to potential environmental benefits

  - If energy is conserved, the hydro-generated power from Hetch Hetchy could conceptually displace power generated from fossil or nuclear fuels by other utilities

  - However, the pricing and allocation schemes in place can often provide the city with a net economic deficit through expenditures on conservation initiatives, as the excess power is sold off at cost

  - A review and change of these agreements is a policy option which could be considered

- In the same vein, hydropower is relatively inexpensive versus average power costs from other sources, yet the city is unable to capture much of the economic benefits from external power sales—again due to existing pricing agreements. Revenue could possibly be enhanced with a change to the agreements

Water Dent.

Appendix B.

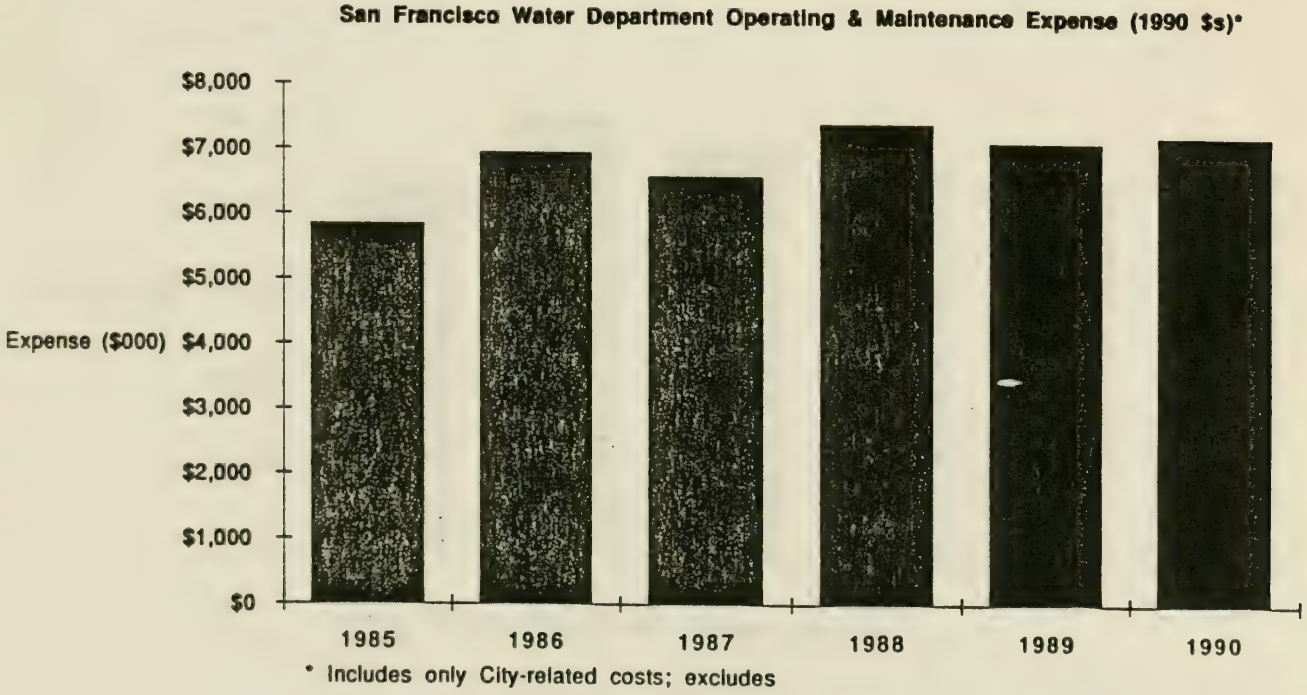
Water Dept.

HISTORIC COST AND OUTLOOK

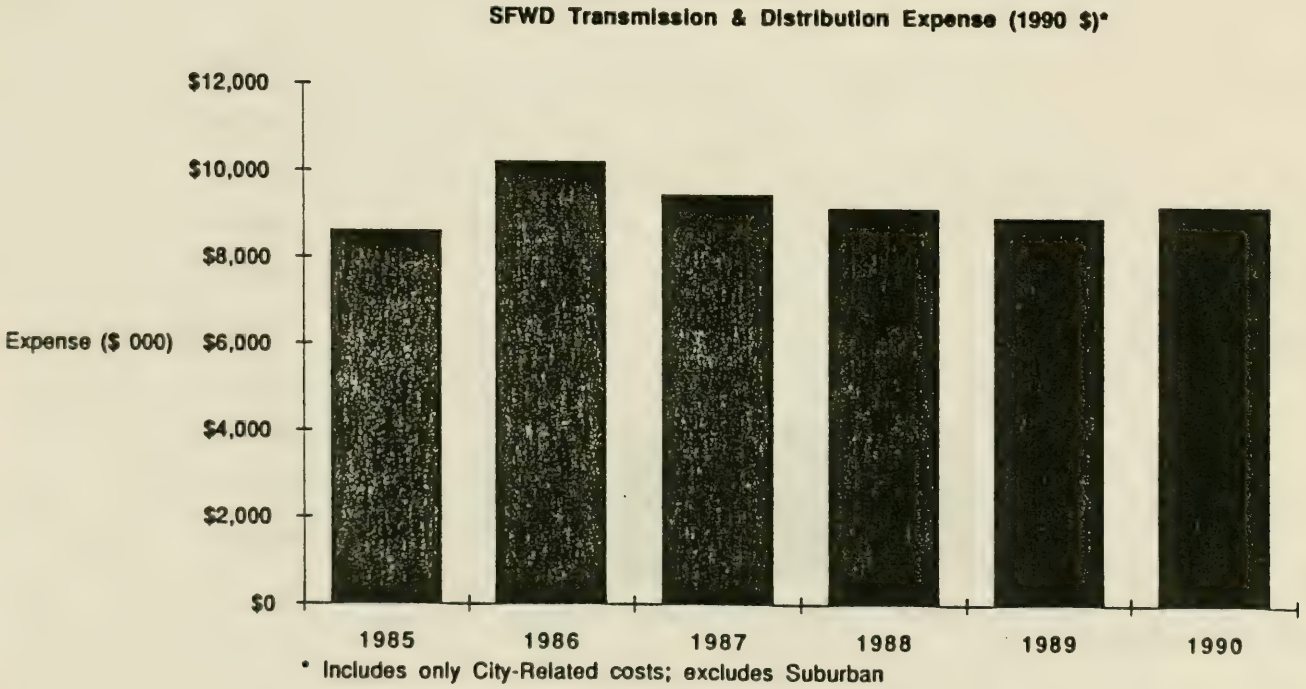
AGENDA

- HISTORIC COST AND OUTLOOK
- COMPARISON GROUP
- RESULTS AND OBSERVATIONS

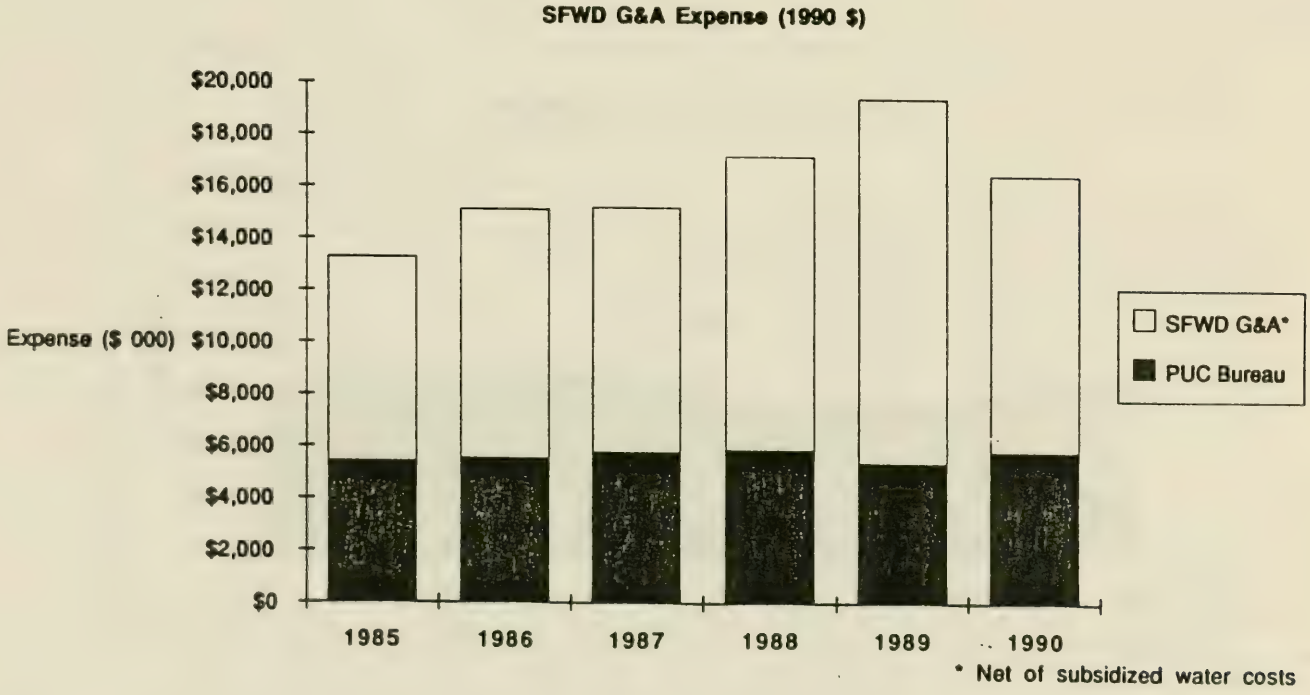
THE WATER DEPARTMENT'S PLANT OPERATING AND MAINTENANCE EXPENSE HAS GROWN ABOUT 4% PER YEAR, DUE TO THE DEMANDS OF AN AGING INFRASTRUCTURE



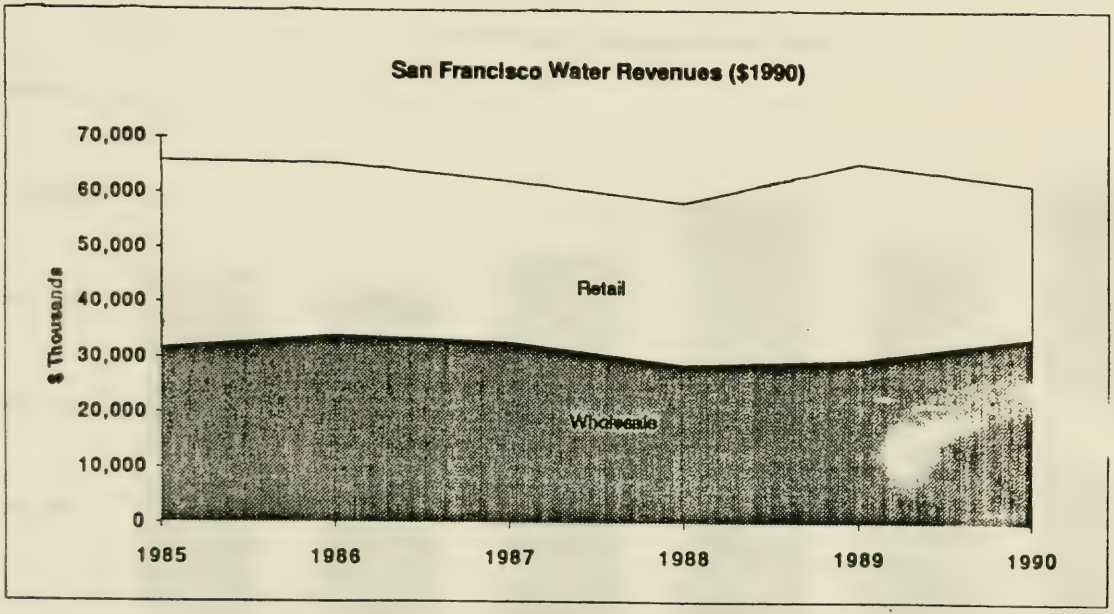
IN CONTRAST, PLANT TRANSMISSION AND DISTRIBUTION EXPENSE HAS BEEN RELATIVELY FLAT FOR SEVERAL YEARS



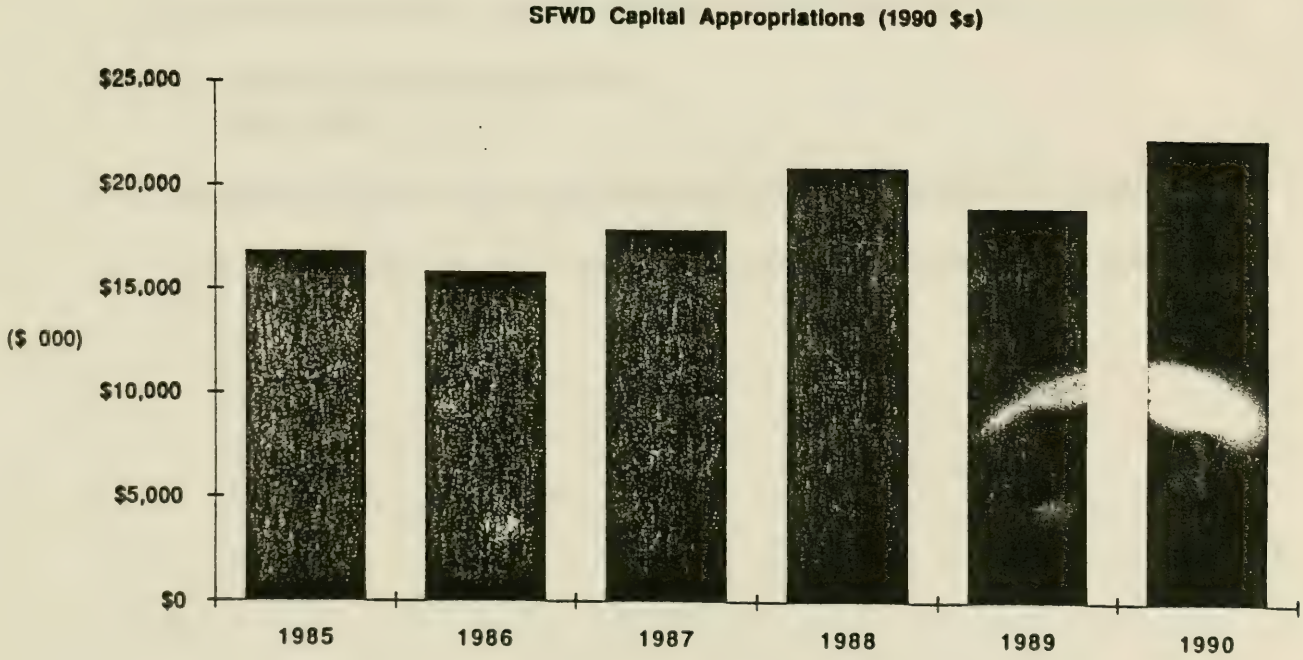
GENERAL AND ADMINISTRATIVE EXPENSES GREW DURING THE LATE 1980s, BUT WERE CUT BACK IN 1990



REAL REVENUES FROM BOTH RETAIL AND WHOLESALE WATER SALES HAVE FLUCTUATED SIGNIFICANTLY IN RECENT YEARS, AS WATER AVAILABILITY AND PRICING VARIED



CAPITAL APPROPRIATIONS HAVE GROWN STEADILY AS MORE OF THE INFRASTRUCTURE HAS REACHED REPLACEMENT AGE



CAPITAL EXPENDITURES MAY INCREASE SIGNIFICANTLY IN THE FUTURE

- Many parts of the San Francisco main's structure may be approaching the end of their serviceable life
- Experience in other cities suggests that this may significantly impact operating costs
  - Increased maintenance and repair
  - Water losses
- Any increase in mains replacement will impact capital expenditure requirements
- Ongoing severe drought may force San Francisco to seek alternate water sources

COMPARISON GROUP

CAPITAL EXPENDITURES MAY INCREASE SIGNIFICANTLY IN THE FUTURE

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COMPARISON GROUP

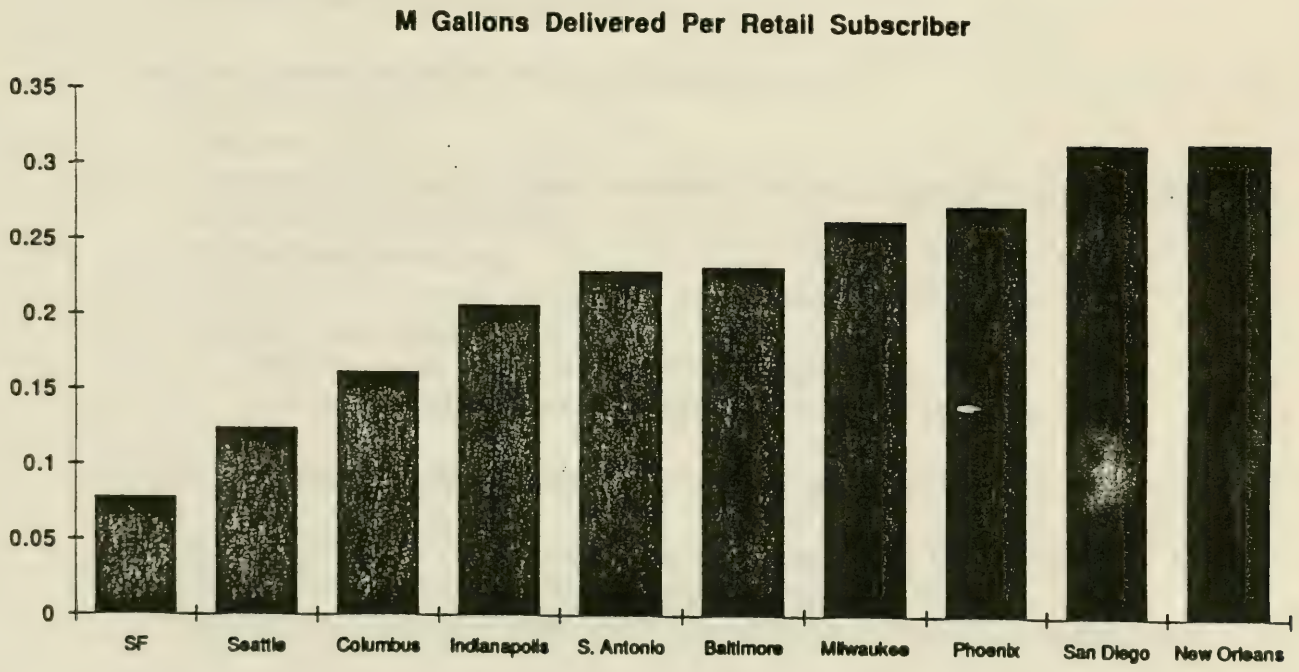
THE STUDY EXAMINED SAN FRANCISCO'S OPERATING PROFILE AGAINST NINE COMPARABLE CITIES

- Comparison cities were selected for
  - Similar sized subscriber base
  - Similar urban/suburban mix

UTILITY	PUBLIC/ PRIVATE	RETAIL SUBSCRIBERS	MGALLONS DELIVERED
Baltimore	Public	397,509	97,000
Columbus	Public	212,000	36,218
Indianapolis	Private	206,135	42,622
Milwaukee	Public	160,860	47,051
New Orleans	Public	143,197	45,400
Phoenix	Public	313,517	90,520
San Antonio	Public	240,000	55,571
San Diego	Public	237,829	81,050
Seattle	Public	172,203	53,797
San Francisco	Public	164,892	28,619

RESULTS AND OBSERVATIONS

SAN FRANCISCO RETAIL SUBSCRIBERS CONSUME THE LEAST OF ALL CITIES SURVEYED—WHICH AFFECTS SOME OF THE COMPARISON OPERATING RATIOS



INTERVIEWS SUGGEST THAT INNOVATIVE RATES TO STIMULATE FURTHER WATER CONSERVATION MAY WARRANT FURTHER STUDY OF PEER CITY EXPERIENCE

- An increasing block rate structure to penalize heavy consumption is the most common conservation strategy amongst peer cities

- However, these schemes do have significant drawbacks

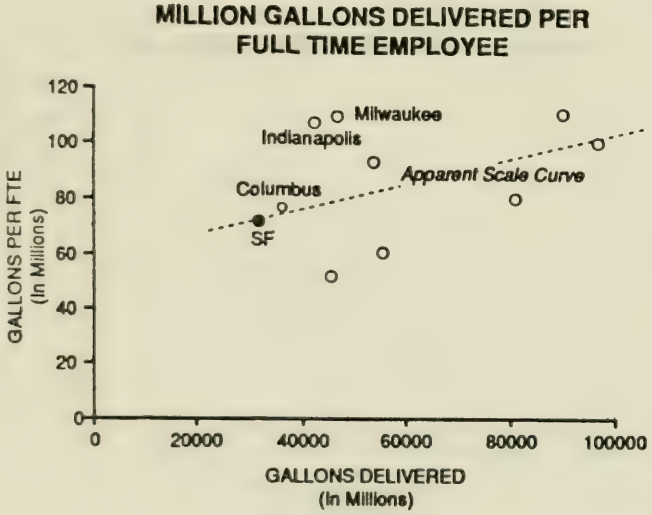
  - Complicate billing
  - Effectiveness depends on public awareness—in one city only 20% of rate base knew that an IBS was in place
  - Require heavy advertising
  - Contracts with purveyors do not allow water departments to institute IBS for wholesale water sales
    - Wholesale areas also tend to have the highest growth
    - In some cities, wholesale can constitute up to 50% of revenues

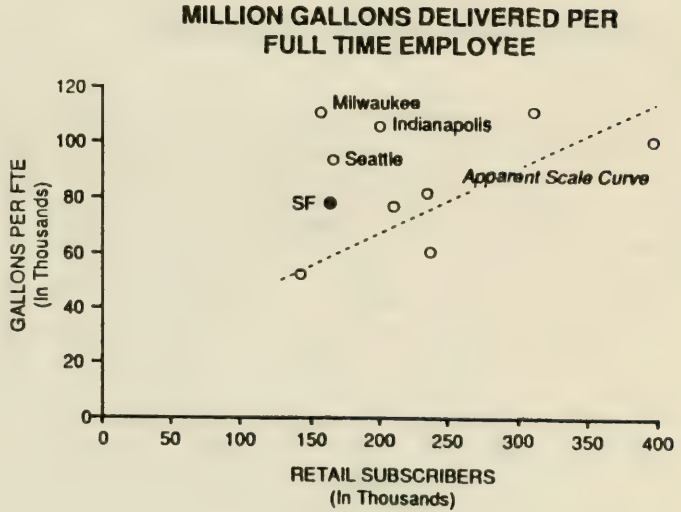
- Phoenix has adopted a rate scheme which increases water rates sharply in the summer

  - Summer peak loads determine plant capacity, and thereby fixed asset costs
  - High summer rates have significantly impacted peak demand
  - However, the structure is under attack from larger commercial and industrial users

- It may also be helpful to charge city departments for their water use—at least for amounts in excess of prudent levels

SAN FRANCISCO'S WATER DELIVERY PER EMPLOYEE IS ATTRACTIVE, GIVEN ITS SMALL SCALE





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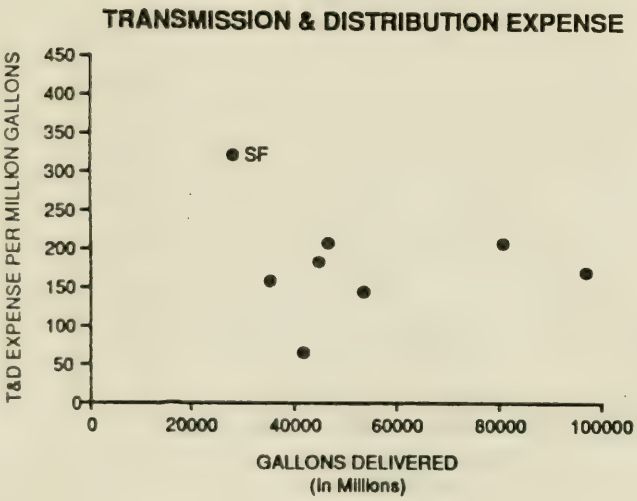
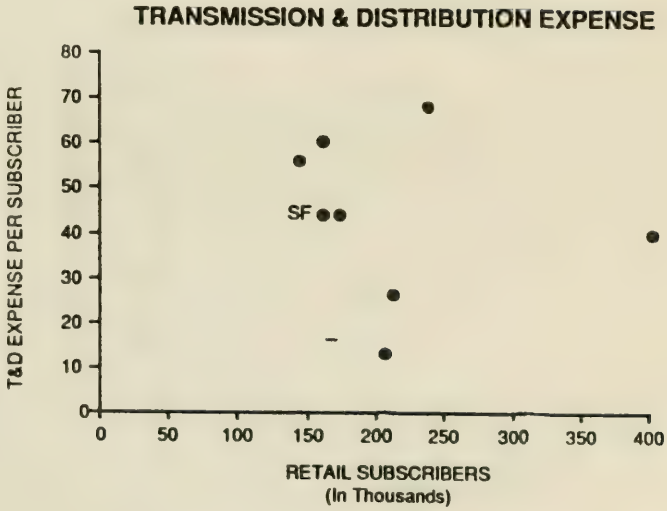
SAN FRANCISCO'S T&D COSTS APPEAR HIGH ON AN ABSOLUTE BASIS—BUT THE LARGE SUBSCRIBER BASE CONSUMING A RELATIVELY SMALL VOLUME BRINGS THEIR ADJUSTED COSTS IN LINE WITH PEERS





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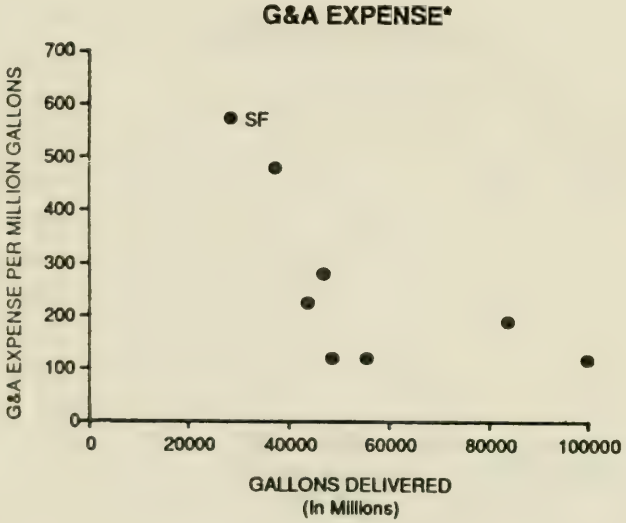
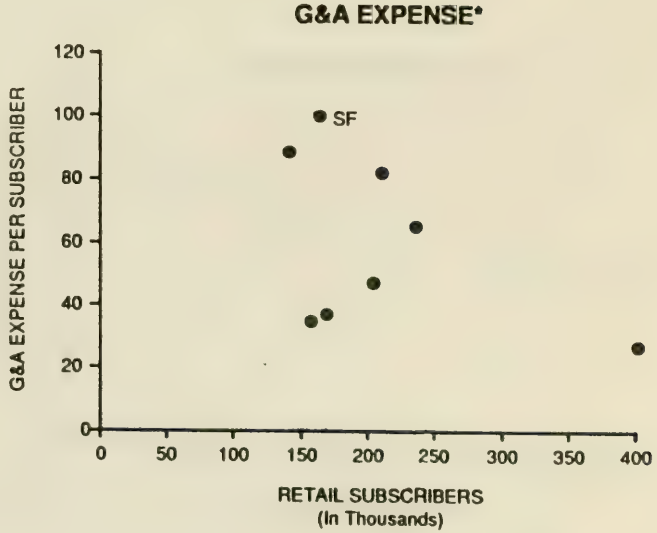
SAN FRANCISCO'S G&A COSTS APPEAR HIGH RELATIVE TO OTHERS. IT IS UNCLEAR HOW MUCH LOWER THEY WOULD BE WITHOUT PUC BUREAU OVERHEAD CHARGES





* *Net of subsidized water costs*

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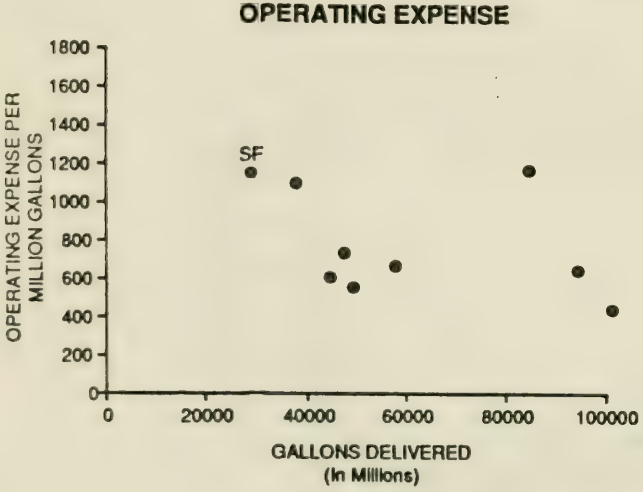
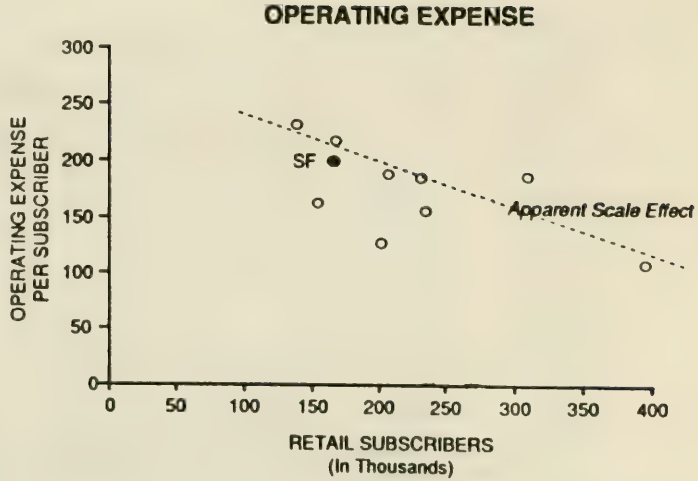
IN COMBINATION, THESE COST DRIVERS PUT SAN FRANCISCO ON PAR WITH PEERS, ADJUSTED FOR SUBSCRIBER USAGE





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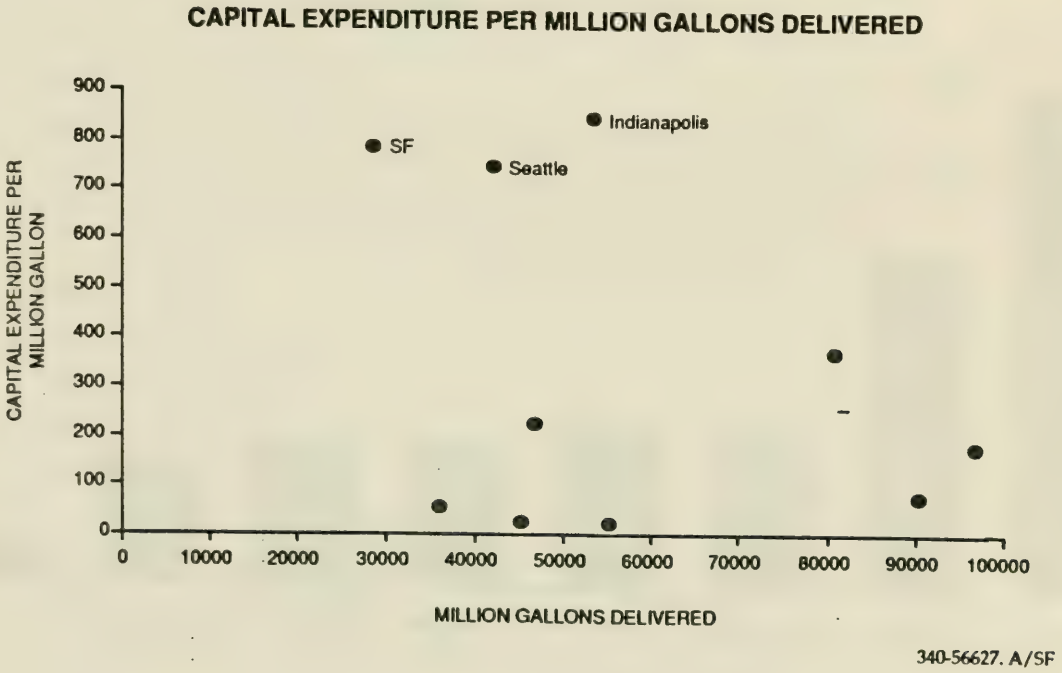
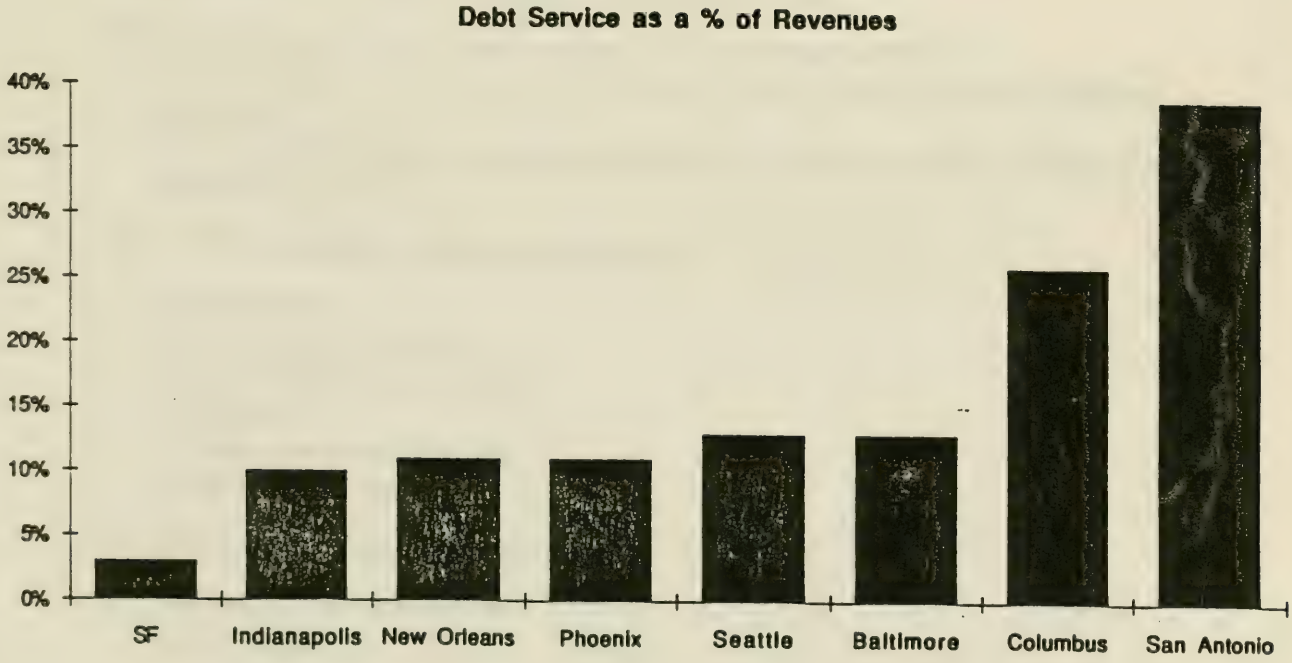
CAPITAL BUDGETS VARY WIDELY—WITH SAN FRANCISCO HIGHER THAN THE MAJORITY OF ITS PEERS



SAN FRANCISCO'S DEBT SERVICE POSITION IS STRONG

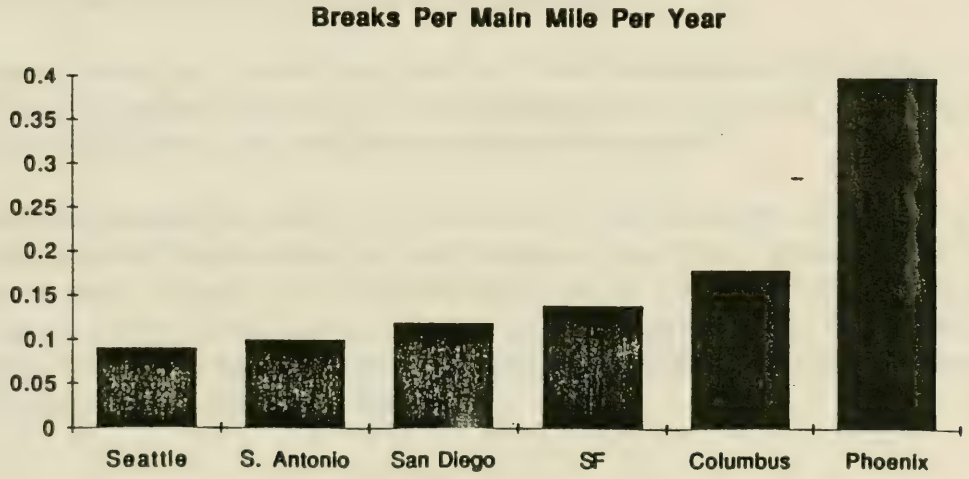


AN AGING MAINS INFRASTRUCTURE APPEARS TO BE AN EARLY INDICATOR OF INCREASED BUDGET RISK

- Useful life of water mains is estimated at about 100 years
- The material used in mains pipe is a key factor in anticipated lifetime
  - Unlined cast iron pipe (typically laid before 1930) is more susceptible to internal corrosion
  - Use of ductile iron pipe (typically laid after 1970) reduced likelihood of breaks and leaks under stress
- Other factors also affect the life of water main
  - Pipe diameter
  - Corrosive soil conditions
  - Pipe manufacturing technique
  - Temperature
  - Contact with other structures
  - Bedding conditions
- Stresses increase mains breakage rates
  - Vibrations from construction
  - Heavy traffic
- In New York City water main breaks age rates have grown steadily in recent history and have more than doubled in the past 40 years

AGING MAINS MAY POSE A SIGNIFICANT FINANCIAL RISK TO SAN FRANCISCO

- While the average age of San Francisco's mains is uncertain, a significant part of the city's plants is over 70 years old
- Current replacement programs are not sufficient to stop ongoing system aging
- Aging infrastructure may be a contributor to San Francisco's relatively high mains breakage rate



THE WATER DEPARTMENT IS FACING A LARGE CAPITAL EXPENDITURE WHICH WILL SIGNIFICANTLY RAISE RATES AND SHOULD BE MONITORED CLOSELY

- The federal government has passed a set of drinking water requirements for the nation that include mandatory filtering. The City would need to have such a filtration plant operational by 1998

- The filtration plant cost for the City, depending on whether the plant is sized for the total water supply (i.e., suburban wholesale water included) or just the City's portion, is expected to be around $300 to $500 million. This would have a noticeable impact on rates as early as 1994, depending on the phase in plan implemented

- However, the source of water (snow melt) and water collection and transmission infrastructure (granite beds and man-made aquaducts) lead our water to be significantly more clean than the water typical in other parts of the country

- There is debate over the need to filter our water. There are clearly some benefits (e.g., avoiding potential contaminants that could develop in the future, flexibility to take other water sources). However, the cost impact will be large. It is possible that a lobbying effort to focus on drinking water standards of cleanliness versus mandatory filtration and/or an exception for the City could potentially give us greater flexibility in timing and sizing while also limiting rate increases for customers.

Appendix C

FINAL REPORT

PUC Engineering Bureau + DPW Bureau of Engineering

EVALUATION OF DESIGN EFFICIENCY EVALUATION FOR MAYOR'S FISCAL ADVISORY COMMITTEE

April 14, 1992

This report is confidential and intended solely for the use and information of the client to whom it is addressed.

BOOZ•ALLEN & HAMILTON INC.

AGENDA

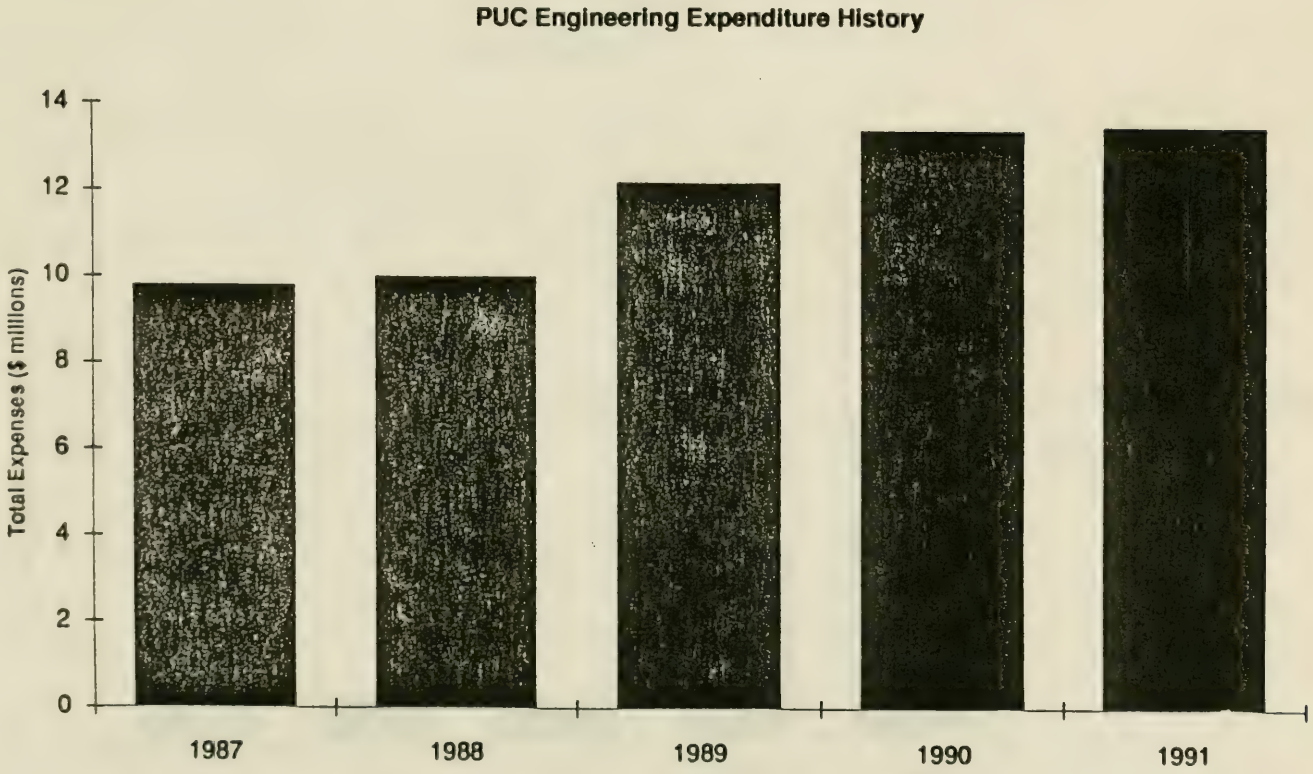
- HISTORIC PERFORMANCE AND OUTLOOK
- PEER COMPARISONS/PRELIMINARY RESULTS
- OPPORTUNITIES FOR PERFORMANCE IMPROVEMENT
  - Scope Definition
  - Scale/Size Of Job
  - Inside Versus Outside Mix
  - Consolidation

HISTORIC PERFORMANCE AND OUTLOOK

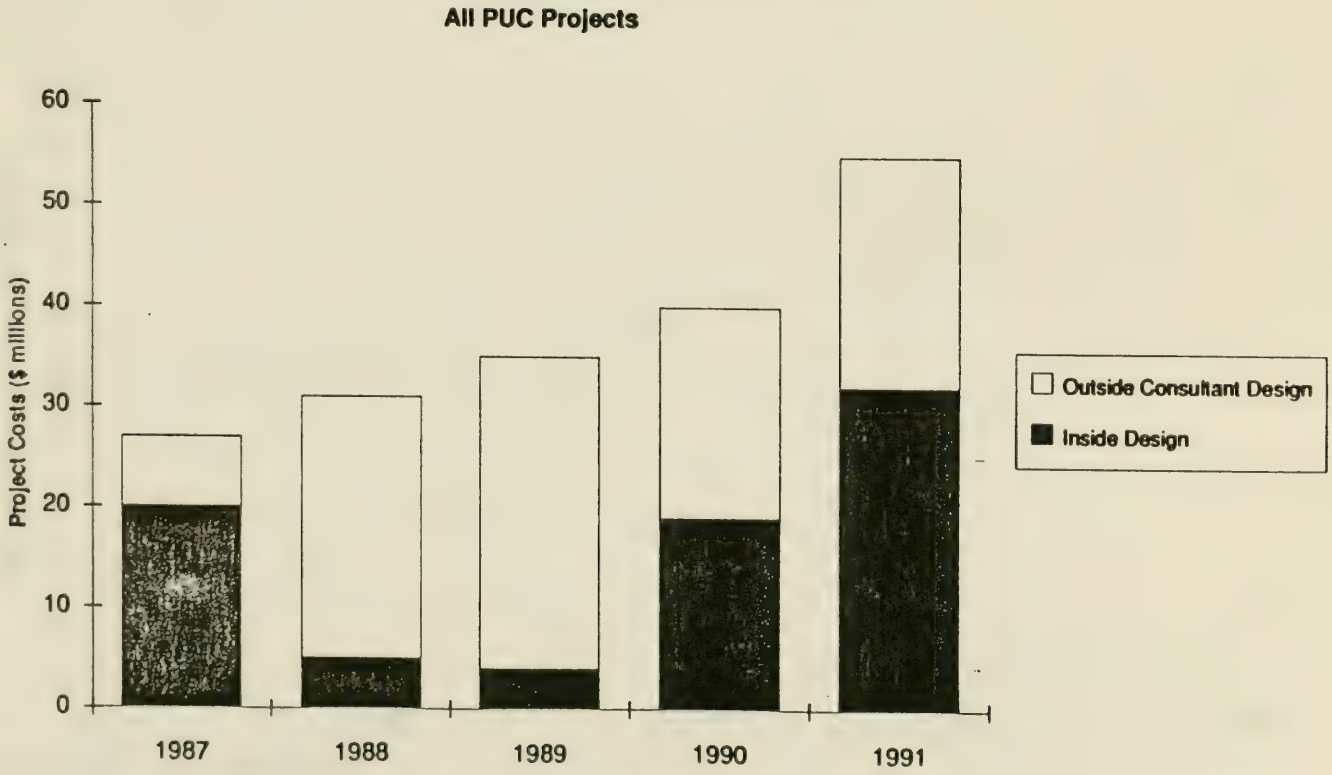
THE TWO LARGEST ENGINEERING GROUPS IN SAN FRANCISCO ARE THE PUC AND THE DPW

- The Bureau of Engineering within the DPW performs the following functions
  - A broad range of consulting engineering for city buildings
    - Electrical
    - Mechanical
    - Hydraulic
    - Sanitary
    - Structural
  - Design & construction management of city streets and sewers
  - Inspection of sidewalks, streets and design repairs
- The DPW engineering staff designs the majority of its engineering projects in-house
- The PUC engineering bureau does engineering capital improvement projects for the three utilities
  - Municipal Railway
  - Water Department
  - Hetch Hetchy Water and Power
- Clients approach PUC and the engineering bureau decides if they have sufficient capabilities to do engineering in-house—50% of the engineering projects are conducted inside and the remaining 50% is contracted to outside engineering design firms

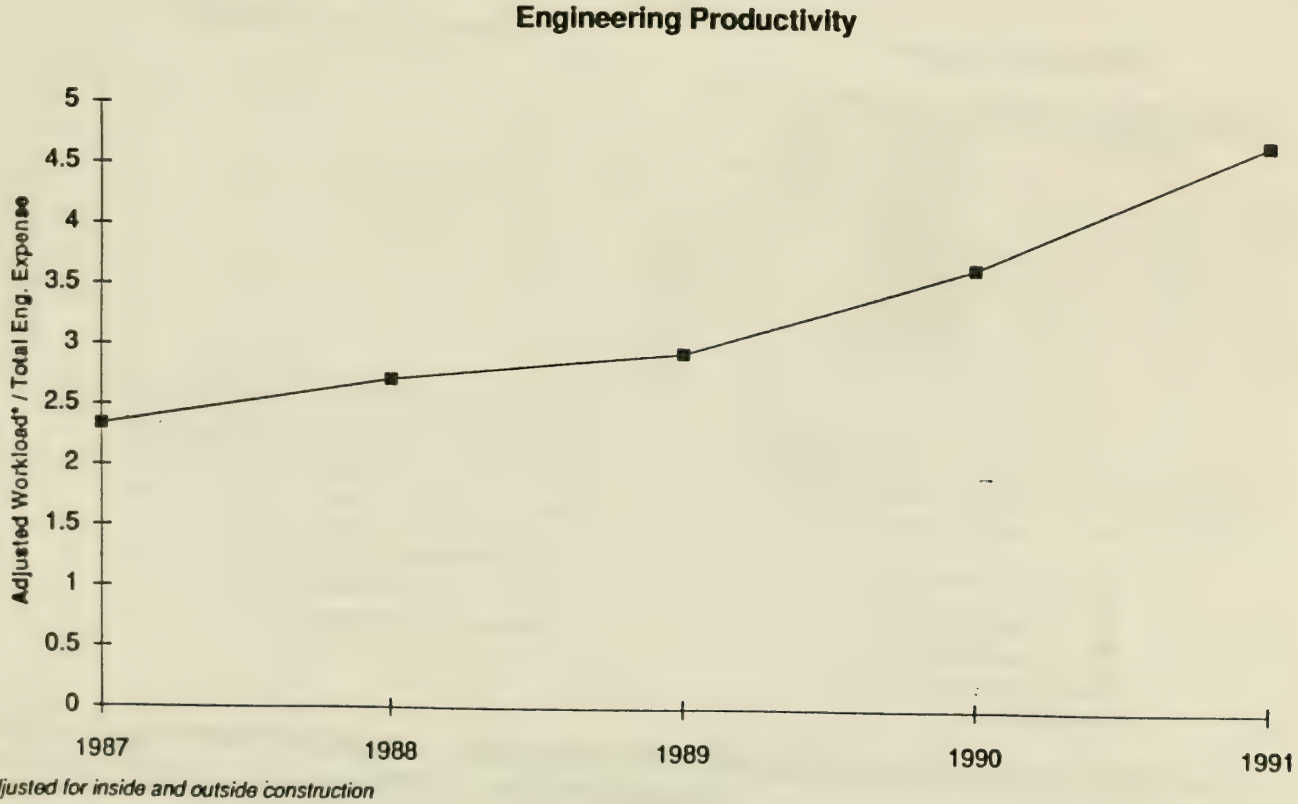
TOTAL PUC ENGINEERING EXPENSES HAVE STABILIZED AFTER GROWING THROUGH THE LATE 1980s



IN CONTRAST, WORKLOAD HAS INCREASED SUBSTANTIALLY—ESPECIALLY INSIDE DESIGN SERVICES OVER THE PAST TWO YEARS

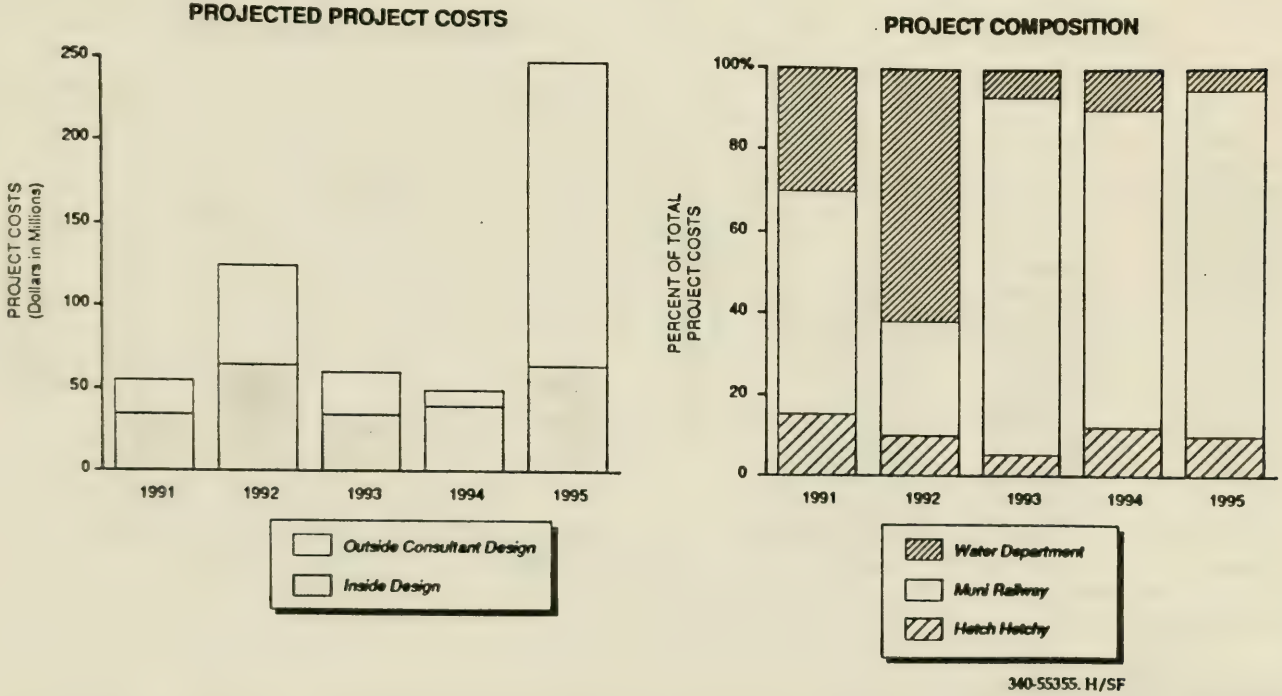


THE RESULT HAS BEEN STEADILY INCREASING ENGINEERING PRODUCTIVITY AT PUC OVER THE PAST 5 YEARS



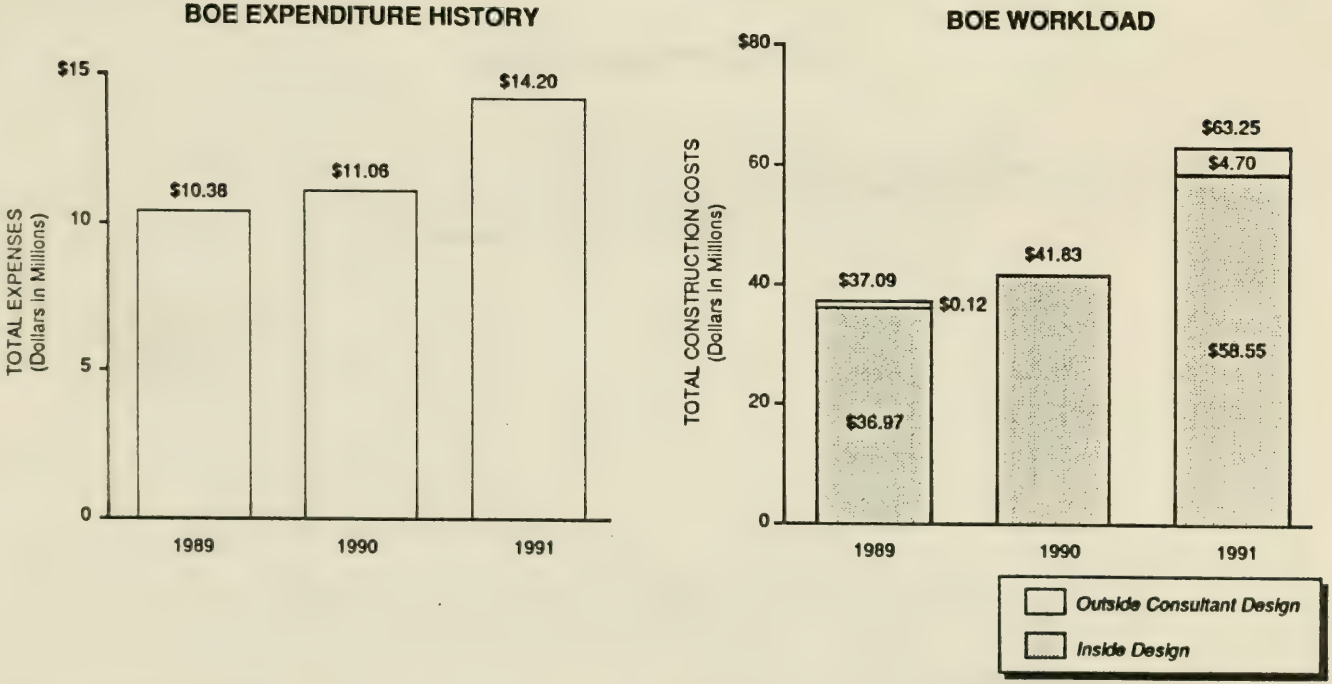
* Adjusted for inside and outside construction

THE WORKLOAD FOR PUC IS PROJECTED TO VARY SIGNIFICANTLY OVER THE NEXT FIVE YEARS, WITH MUNI BECOMING THE MAJOR DRIVER



THESE PROJECTIONS PROBABLY UNDERSTATE THE TRUE WORKLOAD, SINCE THEY ONLY ACCOUNT FOR THOSE PROJECTS ALREADY AWARDED

TOTAL BOE ENGINEERING EXPENSES HAVE INCREASED SIGNIFICANTLY OVER THE PAST YEAR IN CONJUNCTION WITH INCREASING WORKLOAD



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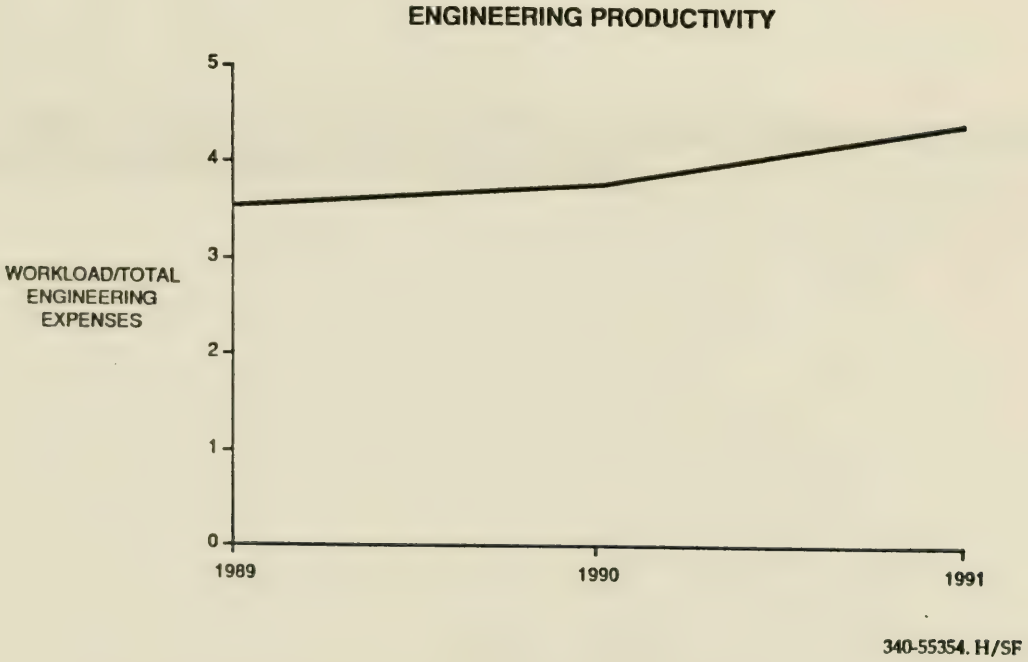
IN CONTRAST TO THE PUC, THE BOE PERFORMS NEARLY ALL OF ITS ENGINEERING SERVICES IN-HOUSE

THE RESULT OF INCREASED WORKLOAD AT BOE IS AN EVEN FURTHER IMPROVEMENT TO ITS ALREADY HIGH LEVELS OF ENGINEERING PRODUCTIVITY



THE WORKLOAD FOR BOE IS EXPECTED TO INCREASE OVER THE NEXT FEW YEARS WITH THE EMBARCADERO ROADWAY AND ISLAIS CREEK PROJECTS PLAYING A MAJOR PART

(NO DATA AVAILABLE AT TIME OF PRINTING. WORK IS EXPECTED TO BE HANDLED WITHOUT USE OF OUTSIDE ENGINEERING CONTRACTORS.)

PEER COMPARISONS/PRELIMINARY RESULTS

TO DETERMINE RELATIVE COST EFFICIENCY, DATA HAS BEEN COLLECTED FROM A SET OF PEER CITIES AND COMPARISONS MADE ACROSS SEVERAL MEASURES

- Four California cities were selected to get a sense of "local" market for engineers
- Mixture of inside and outside design
- Similar in size
  - overall size (between $20M and $100M of construction in progress per year)
  - individual project sizes
- Similar types of engineering projects

OUTSIDE ENGINEERING FIRMS WERE ALSO CONTACTED TO LEARN ABOUT THEIR FEE STRUCTURES, BIDDING PROCESSES AND RELEVANT PERFORMANCE MEASURES

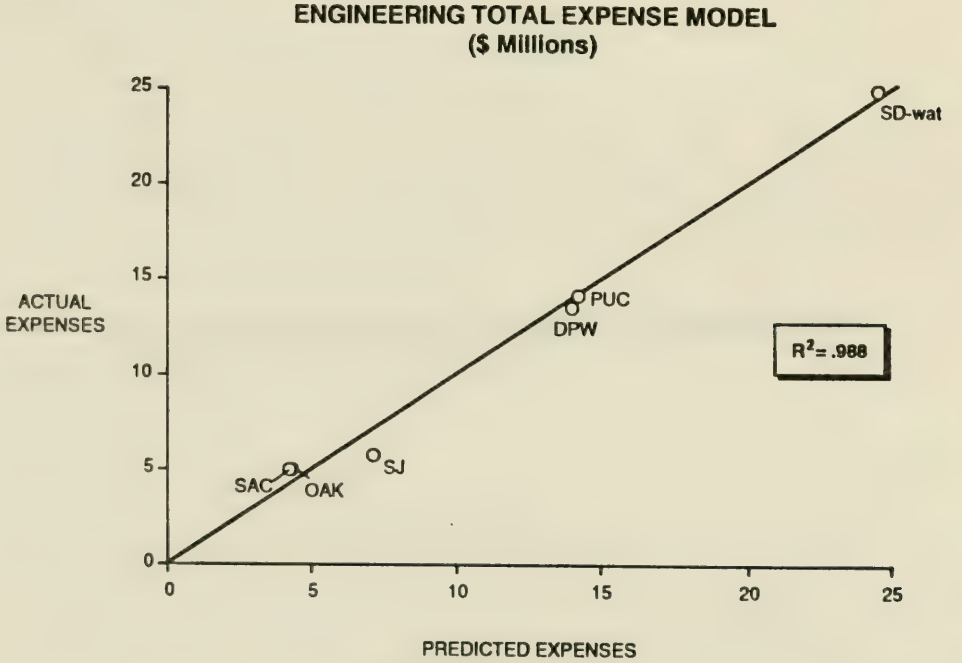
COMPARATIVE CITY DATA (1990 – 1991)

CITY	TOTAL CIP CONSTRUCTION $ BY INSIDE DESIGN (Millions)	TOTAL CIP CONSTRUCTION $ BY OUTSIDE DESIGN (Millions)	TOTAL ENGINEERING EXPENSES ($ Millions)
Oakland	18	12	5
San Diego – Water	50	50	25
SF – DPW	60	5	14.2
SF – PUC	30	30	13.5
San Jose	20	20	5.7
Sacramento	12	18	5

DESPITE THE SIMILARITIES AMONG THESE PEER CITIES, ADJUSTMENTS WERE MADE TO THE DATA TO ACCOUNT FOR DIFFERENCES IN ORGANIZATION AND ENGINEERING GROUP STRUCTURE

- Costs for inspection and construction management were accounted for in all cases, even if these activities were not performed within the engineering group
- Costs for activities other than design and construction such as parking and traffic control operations were removed
- Expenses and construction dollars associated with certain types of projects were eliminated or adjusted due to their inherently different fee structures (i.e., design costs for street resurfacing are not substantial)

SAN FRANCISCO ENGINEERING GROUPS SEEM ON PAR COMPARED TO OTHER CITIES, BUT SAN JOSE IS NOTICEABLY THE MOST EFFICIENT



SAN JOSE'S COST SAVINGS AMOUNT TO ABOUT $1.5 MILLION OR ROUGHLY 20% OF THEIR TOTAL EXPENSES

OPPORTUNITIES FOR PERFORMANCE IMPROVEMENT

SEVERAL OPPORTUNITIES FOR PERFORMANCE IMPROVEMENTS HAVE BEEN IDENTIFIED

- Engineering Scope Definition
  - Get closer to client
  - Inside and outside engineers confirm problem
  - San Jose has minimized problems with scope definitions
- Scale Economies
  - Economies with job size
  - No economies with department size
- Inside vs. Outside design mix is driven by:
  - Relative costs - outside is more expensive
  - Variability in workload - do not staff to peak
- Consolidation
  - $ savings small relative to above
    - Overhead/administration savings small
    - Dampening workload variability can be managed by inside/outside mix
  - Downside
    - Further from client
    - Political issues of where they would sit

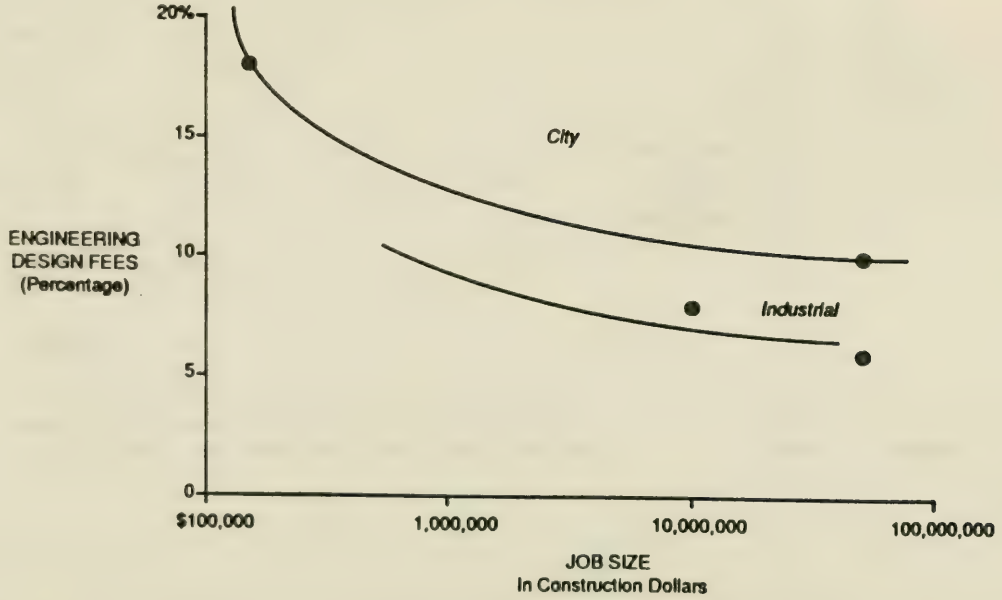
EACH OF THESE ISSUES WILL BE DISCUSSED MORE IN DEPTH

SAN JOSE ILLUSTRATES THAT DEFINING ENGINEERING SCOPE CLEARLY AND EARLY-ON SIGNIFICANTLY REDUCES TOTAL ENGINEERING FEES

- Every city, except San Jose, expressed problems and delays in defining scope
- San Jose is organizationally sound—integrated leadership for client groups and engineering & design groups facilitating effective communication
- Other city engineering groups have such an organization, but have not made enough headway in scope definition to yield significant cost improvement

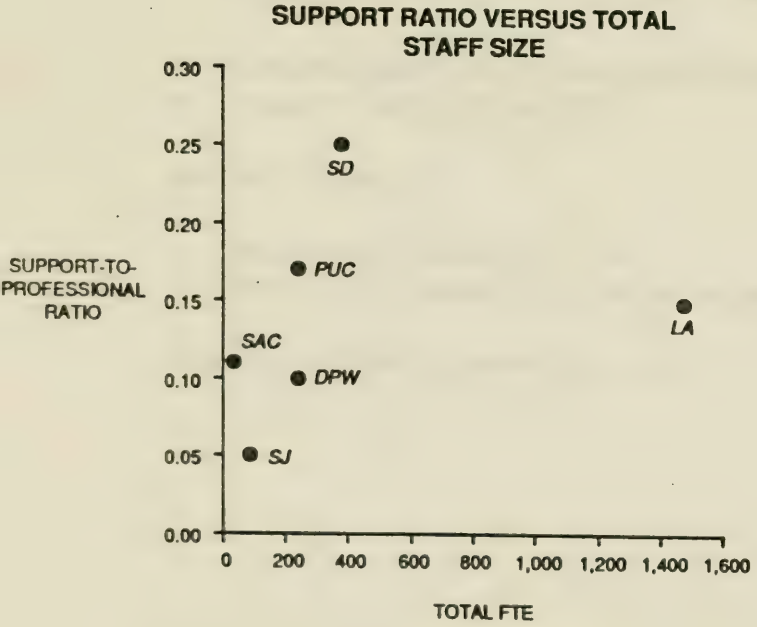
OUTSIDE ENGINEERING FIRMS ALSO CONFIRMED THAT CITY CLIENTS HAVE HIGHER ENGINEERING AND DESIGN FEES THAN THEIR INDUSTRIAL COUNTERPARTS FOR SIMILAR SIZE AND SCOPE PROJECTS

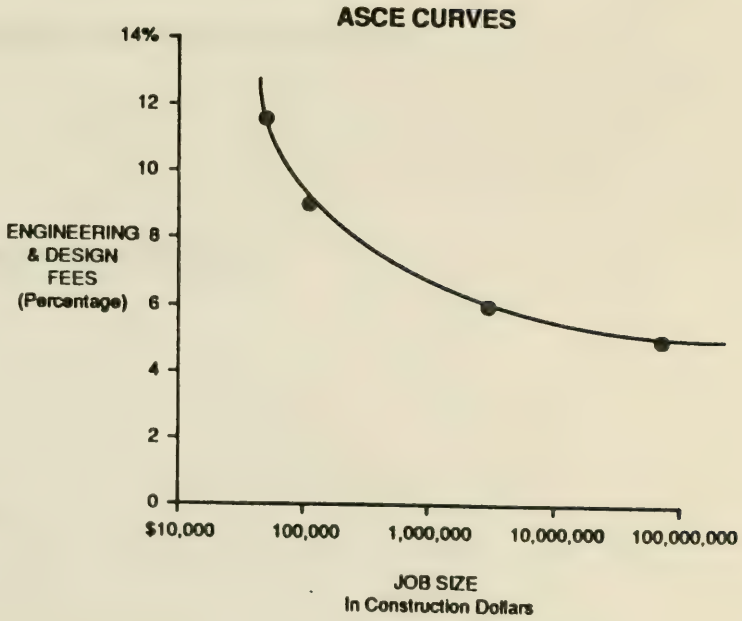
CITY VERSUS INDUSTRY CLIENT FOR AN OUTSIDE ENGINEERING FIRM



POTENTIAL SAVINGS = $2 TO $5 MILLION FOR SAN FRANCISCO ENGINEERING GROUPS

ECONOMIES OF SCALE, PRIMARILY IN ADMINISTRATION COSTS, APPEAR TO BE A FUNCTION OF JOB SIZE AND NOT THE ENGINEERING DEPARTMENT SIZE

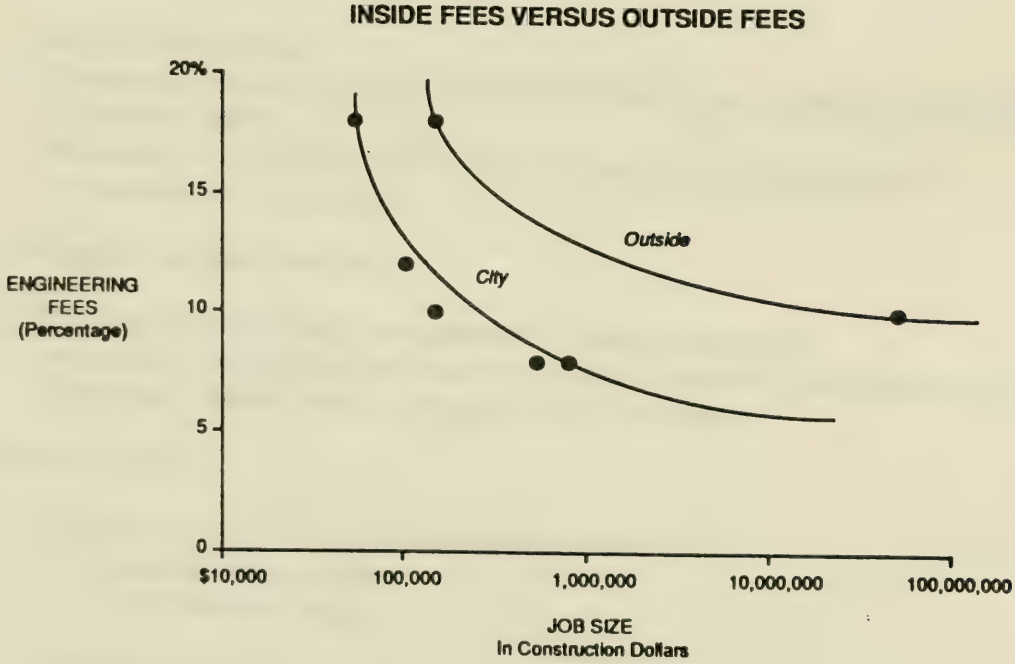




THE OPTIMAL INSIDE VERSUS OUTSIDE DESIGN MIX IS DRIVEN BY:

- Relative costs
  - Outside consultants are more expensive for small to medium sized jobs
  - More investigation needs to be done to determine if outside consultants are cheaper for large, complex jobs
- Variability in workload
  - Do not want to staff for peak load
  - Lower variability allows for higher percentage of peak staffing
- Where the relevant expertise can be found

A TRADEOFF BETWEEN THE COST OF IDLE STAFF AND THE FEE DIFFERENTIAL FOR OUTSIDE CONSULTANTS VS. INSIDE DESIGNERS MUST BE MADE TO DETERMINE OPTIMAL COST



THE BENEFITS OF CONSOLIDATION APPEAR TO BE SMALL RELATIVE TO OTHER IMPROVEMENT OPPORTUNITIES AND THERE ARE POTENTIAL RISKS AND DOWNSIDES ASSOCIATED WITH CONSOLIDATION

- Overhead/administration savings small
  - Few senior positions
  - Economies of scale are in job size not engineering group size (LA did not show substantial scale)
  - Moderate improvements could be made in support to professional ratio independent of consolidation
- Dampening workload variability
  - Can be obtained through management of inside/outside mix
  - Increasing size of group could lead to decreased variability, but such dampening effects are probably small, particularly if mix is managed
- Risks/downsides
  - Further from client for at least one group (if not both)
    - Scope definition problem
    - Control/access issues
  - Political issue—where would they sit?

CONSOLIDATION IS NOT RECOMMENDED

Final Report

DEPARTMENT OF PUBLIC WORKS EVALUATION
FOR
MAYOR'S FISCAL ADVISORY COMMITTEE

April 14, 1992

This report is confidential and intended solely for the use
and information of the client to whom it is addressed.

PUBLIC WORKS TASK FORCE

OVERVIEW

The Department of Public Works is made up of three kinds of bureaus:

- Infrastructure bureaus which service and maintain basic city services. These include:
  - Street and sewer repair, street cleaning and urban forest, clean water program, water pollution control
  - Enterprise fund bureau which is mandated to exist within its own revenues; this includes building inspection
  - Service-oriented bureaus which provide services to other city departments; these include:
    - Architecture
    - Engineering
    - Building repair

Although the Department of Public Works' net budget represents only about 7% of the overall city budget ($121M), it is the single largest overall expenditure in the city ($270M)—even more than Muni, social services, and San Francisco General Hospital, the next three highest expenditures. These expenditures are offset by high revenues ($122M) and offset charges to other departments for architecture, engineering, building repair, or custodial services.

Since its 1989 peak of 1,817 in FTE staffing, DPW reduced to 1,672 for fiscal year 1991, an 8% drop in the period. A projected increase of 3.5% for 1992 would bring FTE to 1,730. The increase is highest for professionals at 10.7%, to a total of 382, and for officials and administrators at 7.4%, though this is an add of just two to a total of 29.

To forecast staffing beyond 1992 requires more input on workload affected by possible changes in DPW organization, policy and operation, concerning which certain issues are addressed in the balance of this report. Without changes, analysis indicates that DPW-generated revenues are likely to fall increasingly short of expenditures, so that the General Fund subsidy required will grow from 1991's budgeted $26.7 million, 17.9% of net DPW expenditures, to one that is greater because of both internal and external factors. Concerning the latter, for example, federal and state government sources of revenue will continue to be under severe cutback pressure in the 1990s. The recent average annual growth of these sources for DPW, at 7.5%, presently funding 11.2% of net expenditures, is problematic. And driving city expenditures will be the aging urban infrastructure. Focusing upon what is directly manageable, these are a few of the overall issues:

- Outside versus in-house services and their procurement—Excessive time, effort and hassle are required to bring on board outside services, especially professional services, which discourages their use even when savings can be made. Present procedures take six months or more

- Small projects contracting—Small design or repair projects in many cases make for inefficient use of DPW staff and resources

- High hourly costs—Hourly pay rates for craft trades as well as professionals are up to 20% higher than in private industry

- $50,000 charter limit on city work force—Present limit restricts effective use of existing city employees on projects where they could be economical

- Gaps between fees and costs—The costs of providing certain services are not offset by fees when they might be or, alternatively, services shifted inter-departmentally or privatized when for expediency and efficiency they could be

This report will address specifics of the following DPW bureaus:

- Bureau of Architecture
- Bureau of Building Inspection
- Bureau of Building Repair
- Bureau of Street and Sewer Repair
- Bureau of Street Cleaning and Urban Forestry

Some bureaus were not interviewed, and others which were interviewed had no significant issues. Neither is included herein. The Bureau of Engineering is covered in a separate report in combination with PUC's Utility Engineering Bureau.

BUREAU OF ARCHITECTURE

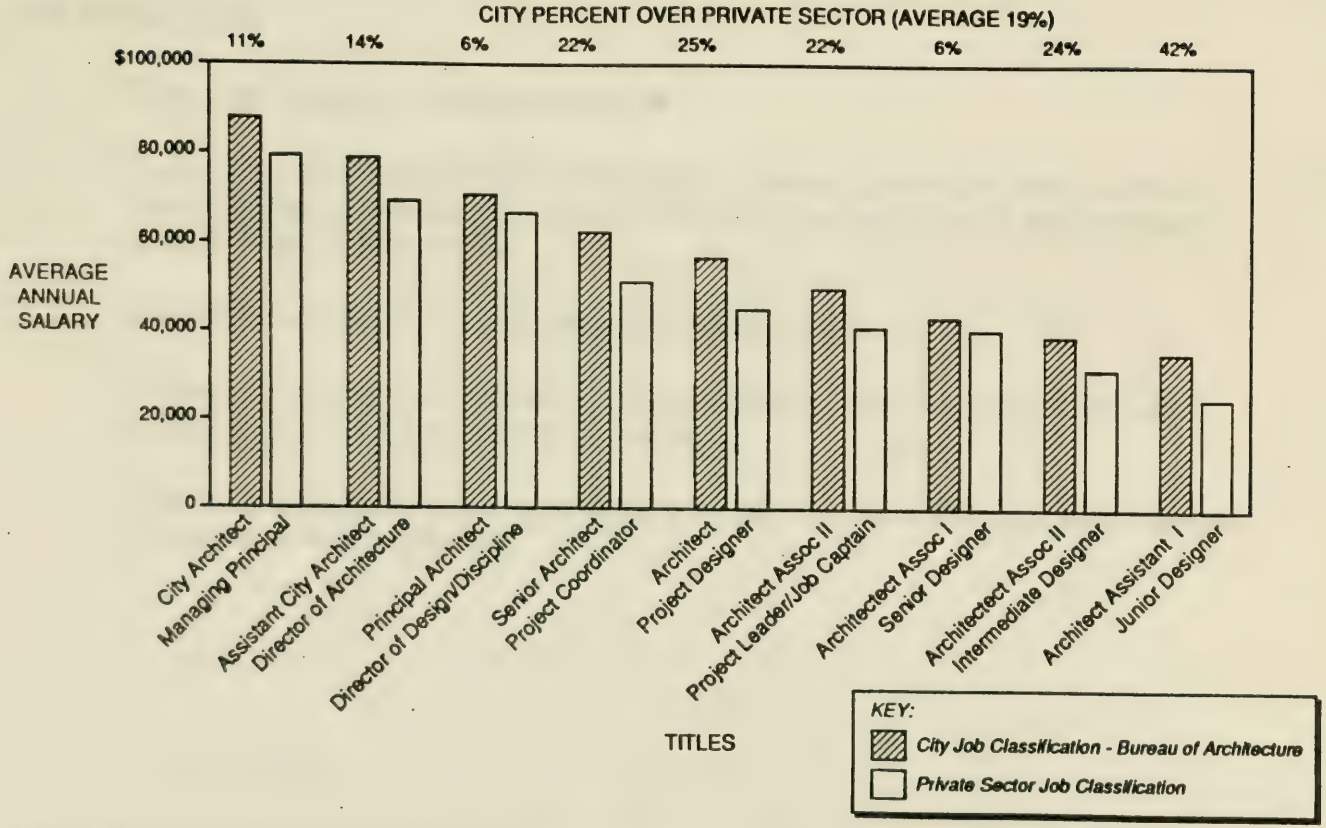
WORKLOAD, STAFFING, REVENUES, AND EXPENDITURE TRENDS

- Staff has grown in the past five years from 37 to 82
- In the next three years, staff is projected to increase to 105 – 110
- Major bond program increases is basis for Bureau staff growth
- Only major city in California to have large staff to do architectural work in-house

SITUATIONAL ANALYSIS

- Design/management fees appear higher than in the private sector by 20% – 30%
- A large supply of architectural firms able to compete exists in the area
- Staff salaries (civil service rates) are well above going private sector rates
- Considerable work stays in-house only because the procedure for procuring outside services takes too long
- Bureau has started to compete directly with private firms for work
- San Francisco American Institute of Architects' complaint to board of supervisors about bureau's competitive position has been referred to budget analyst for separate study
- Bureau uses outdated private sector fee curves to justify its comparative costs

BUREAU OF ARCHITECTURE SALARY COMPARISON



Notes: City salaries shown above are average annual 1991 salaries for each category. Maximum salaries are approximately 10% higher
Private sector salaries shown above are average annual 1991 salaries taken in a Bay Area survey of architectural firms. Small firms (less than 15) tend to be slightly lower and large firms (over 40) tend to be slightly higher

340-55834. 2K/SF

POLICY OPTIONS

- Place more design work with private sector
- Consider "turnkey" development of city projects. Outside competitive development of projects giving full responsibility to the developer can reduce city costs and, if properly done, shift risk to the developer
- Streamline the procurement procedure for outside services
- Contract for recurring less-desirable small projects (e.g., Parks and Recreation) with a number of qualified A/E firms on an annual basis
- Take steps to contract out workload which is not the best use of BoA staff and resources and where savings are evident

BUREAU OF BUILDING INSPECTION

WORKLOAD, STAFFING, REVENUES, AND EXPENDITURE TRENDS

- Staff levels are set by interviews with users to determine desired speed and service levels (200 staff for fiscal 1991)
- Revenues (fees) must cover expenditures as a designated Special Revenue Fund which uses no general fund dollars
- Fees for permits and inspections are based upon percentage of construction costs
- Proposition M has curtailed new construction; remodeling is increasing
- One inspection costs $80 – $90, average project construction value now is $50,000
- Permit issued value is at $820 million, or $9,000/permit

SITUATION ANALYSIS

- Civil service building inspector salaries are tied to building trade salaries which are high
- Overhead adds about 100% to salary, the building inspector average $55 – $62K/year
- Engineer salaries appear to be 10% – 15% over the private sector
- MBO statistics show improved performance in terms of permits per position
- Improvement over the past five years is noted by professionals in the city
- Internal memo cites four mandates which pose problems in administration and recoupment of costs—a present gap of $586,000 before figuring in the negative effect of enforcing federal ADA regulations
- Planning code review for single family residences is not a part of building code review

POLICY OPTIONS

- Develop a "one-stop" permit office to expedite permitting for public benefit as well as to reduce costs over time

- Take over from the Department of City Planning single family residence planning code review, perform with other review, to expedite and lower costs, and as an Enterprise operation

- Increase revenues over costs through efficiencies and higher fees to build reserves and fund the gap for such as enforcing ADA regulations

- Implement such changes as are appropriate from analysis of operations of peer cities (input so far incomplete)

- Review overhead and salary costs, consider outside inspectors where costs can be lowered, and evaluate options above

BUREAU OF BUILDING REPAIR

WORKLOAD, STAFFING, REVENUES, AND EXPENDITURE TRENDS

- Work force numbered 279 in fiscal 1991, down from 303 the prior year
- Cutbacks in custodial/janitorial coverage due to staff reductions
- Square footage to be maintained shows slight increase
- Backlogs for craft work are generally over target days
- Hours worked are decreasing, costs increasing

SITUATION ANALYSIS

- Many city departments do not use, believing services too expensive, but resort to when quick action is necessary
- DPW overhead is added on to chargebacks to other departments contributing to services deemed expensive
- Only 80 out of 550 city general-fund buildings retain services
- Repairs and related staffing are similar to custodial in use by other departments
- Building trade annual salary costs are higher than in the private sector
- Costs and staff levels do not favorably compare with San Diego (input from other peer cities pending)
- Charter limit of $50,000 prevents use of staff on larger repair projects
- Lack of separate maintenance trade craft for normal maintenance results in high cost trades doing routine maintenance

POLICY OPTIONS

- Raise operating efficiencies to lower costs to entice more use of services by other departments (MBO system can be improved)
- Create new maintenance craft trade category for routine maintenance duties rather than using specialized craft
- Establish three or four remote craft centers for all trades in Civic Center and other areas (rather than keeping all at present corporation yard) for greater efficiency
- Release building repair work more efficiently performed by private sector and permit some agencies to take on work directly, e.g., the Housing Authority
- Streamline the process for authorizing work by outside firms (work which only stays in-house because of completion deadlines)
- Execute appropriate outside contracts annually for small projects to stabilize workload variability and concentrate staff on projects where it can be more effective

BUREAU OF STREET AND SEWER REPAIR

WORKLOAD, STAFFING, REVENUES, AND EXPENDITURE TRENDS

- Staff is recently stable at 190 – 191; labor plus overhead annual cost increases declined the past three years from 8.5% to a fiscal 1992 projected increase of 0.7%
- Operating expenditures for street and sewer maintenance (capital projects are outside mandate) while increasing are doing so at decreasing rates
- The number of labor hours per section of sewer repaired has increased over three years from 102 to 111
- Workload is likely to increase because of city conditions and staff headcount
- Infrastructure age will continue to increase demand

SITUATION ANALYSIS

- Lack of funds curtails needed street and sewer work
- MBO system sets targets for street and sewer work and tracks performance
- Work efficiency is hampered by $50,000 Charter limit
- Asphalt plant capacity is only 20% utilized because of negotiations with construction industry
- Projected staff reductions and additions align personnel to workload
- Labor costs with overhead are exacerbated by inability to improve productivity

POLICY OPTIONS

- Increase Charter limit to permit greater work force efficiencies ($50,000 limit restricts projects to one block or less of paving)

- Change labor/AGC agreement which prevents use of asphalt from city-owned plant for other than work done by city work force

- Increase port, airport, water department, and private utility companies' use of city asphalt plant, limited as above (savings using 1,000 tons/day capacity could be up to $1 million per year)

- Review labor costs/efficiencies and determine if a larger work force for needed street and sewer work (including bigger projects now prevented by the Charter limit), which also will spread fixed costs (overhead), is less costly than present arrangements with other providers

- Compare operating efficiencies with other like cities (peer city data not available at this time)

BUREAU OF STREET CLEANING AND URBAN FORESTRY

WORKLOAD, STAFFING, REVENUES, AND EXPENDITURE TRENDS

- Internal data indicate a widening gap between workload and staff resources (needed labor hours versus what budget allows)
- Staff numbers are steady the last three years at 223 – 225
- Staff costs with overhead average out to a 3.3% increase
- Union wages are paid, budget funding from the gas tax
- The workload/labor gap by internal estimate is as much as 100,000 hours, more if other shortfalls are figured in
- Equipment replacement below desired budget levels likely impacts labor efficiency (also equipment maintenance demands are up)
- Streets cleaned total 1,850 miles, 80% of the effort mechanized

SITUATION ANALYSIS

- The city is a tourist destination with unique topography which exceptionally calls for clean streets that happen to be more difficult to maintain
- High population density and liberalization of litter laws or lack of enforcement contribute to the problem
- Commercial areas are much more of a problem than residential
- Use of workfare programs for street/sidewalk cleaning is much lower than a few years ago (about 50 participants now)
- MBO system tracks performance against efficiency standards and shows significant variability to targets
- Overall requirements and present capacity to meet them exhibit widening divergence

POLICY OPTIONS

- Develop a public relations campaign to elicit public support and individual effort to keep the city clean and free of graffiti
- Investigate stricter enforcement of litter laws
- Consider greater use of workfare programs, possibly integrating them with other programs to assist participants to self-sustaining permanent work
- Use, as needed and available, funds from the gas tax to clean sidewalks
- Consider a surcharge to commercial garbage rates to clean sidewalks in selected areas
- Compare costs and efficiencies with peer cities (data not available at this time)

MAYOR'S FISCAL ADVISORY COMMITTEE

Cost and Revenue Trend Project

ASSESSOR'S OFFICE

APRIL 29, 1992

SUMMARY

ASSESSOR'S OFFICE

- This report is based on comprehensive studies conducted in 1990 for the following departments to find additional revenues

    - Assessors Office
    - Tax Collector
    - Department of Public Works
    - BBI and Planning

- We have issued Reports to the Mayor in March and October 1990

- Followed up in Spring 1991 and 1992 on past recommendations

- No significant changes have occurred since 1990

OPPORTUNITY MATRIX

	ASSESSOR	BBI/DPW	TAX COLLECTOR	OVERALL
INTEGRATION OF EFFORTS	ORGANIZATION, PEOPLE, SYSTEMS AND PROCEDURES, NEED TO BE BROUGHT TOGETHER			An overall issue.
AUTOMATION	• Current system is 21 years old • New system is key to achieve efficiencies.	• BBI Modernization in progress.	• System revision is key to achieve efficiencies.	Citywide Property Management Information and Collection System is badly needed.
INTERNAL AUDITING	• Insufficient staff to perform and complete audits.	• An enforcement unit has been established.	• Department believes a management systems audit would be useful.	Management audit of property tax revenue stream is essential.
DISCOVERY	OPPORTUNITIES: • New construction • Leasehold Improvements	POTENTIAL OPPORTUNITIES: • Encroachment permits • Parking lots • Private use public space	OPPORTUNITIES: • Need information about probate and estates.	Potential for improvement.
VALUATION	• Compensation and pay scales for appraisers need to be upgraded. • Retention of qualified appraisers is a problem.	Not Applicable	Not applicable	Potential for Improvement.
ENROLLMENT	• Processing of supplemental assessments is not timely.	Not Applicable	Not applicable	Potential for improvement.
BILLING AND COLLECTION	Delays in supplemental assessment affect timely billing and collection.	• Late discovery of non-permited construction or construction in excess of permit can delay billing.	• Billing and collection are current for enrolled items. • Delinquent rate is excellent.	Potential for improvement.

This matrix is designed to highlight on one page areas of opportunity by department based upon those items the study team reviewed.

ASSESSOR

- **INTEGRATION OF EFFORTS:**

  Organization, people, systems and procedures in each department need to be brought together.

  The City should designate a professional to "take charge" and direct the interdepartmental, end-to-end coordination of issues related to the property tax revenue stream and its collection.

- **AUTOMATION:**

  The current system is 21 years old. Development of a property-based information system is need to link the Tax Collection Division, the Assessor's Office and the Controller's Office. This linkage is crucial to ensure that properties are assessed and taxes are collected in a timely fashion.

  An alternative system (know as the Kings County System) is being studied and can be installed at a cost approximating $1.6 million. Cost savings will be realized only if the Assessor, Tax Collector and Controller agree to use integrated system.

  On an annual basis, the new system earnings are estimated at $250,000. No estimate has been made for increases in tax revenues.

- **INTERNAL AUDITING:**

  Insufficient staff to perform and complete audits.

- **DISCOVERY:**

  Opportunities:
  - New Construction
  - Leasehold Improvements

- **VALUATION:**

  Compensation and pay scales for appraisers need to be upgraded.

  Retention of qualified appraisers is a problem.

- **ENROLLMENT:**

  Processing of supplemental assessments is not timely.

- **BILLING AND COLLECTION:**

  Delays in supplemental assessment affect timely billing and collection.

ASSESSOR'S OFFICE

PLAN FOR THE FUTURE

OBSERVATION	ACTION	GOAL
• Assess Real Property 165,000 parcels - Commercial - Apartments - Residential	• Develop a core of well trained professionals • Focus on high dollar value cases and win them	• Increase Tax Revenues 5% ($25 million) • Base is now $480 million a year
• Assess Personal Property - 55,000 organizations	• Streamline and automate the process • Train auditors • Focus on high dollar value cases • Increase field audits	• Increase tax revenues 5% ($3 million) • Base is now $55 million a year
• Automation - Current system is over 21 years old	• Develop a property based information system • Fund it • Link assessor, tax collector, controller (ISD), BBI/DPW into system • Don't build a Cadillac	• Approve plan in 1992 • Complete implementation in two years (1994) • Capture additional revenue: - Better information - Prompt assessment and tax collection
• Integration of efforts	• Designate a professional to "take charge" and direct the interdepartmental effort • Help to resolve issues • A committee won't work	• Bring organization, people, systems and procedures together • Maximize tax revenues

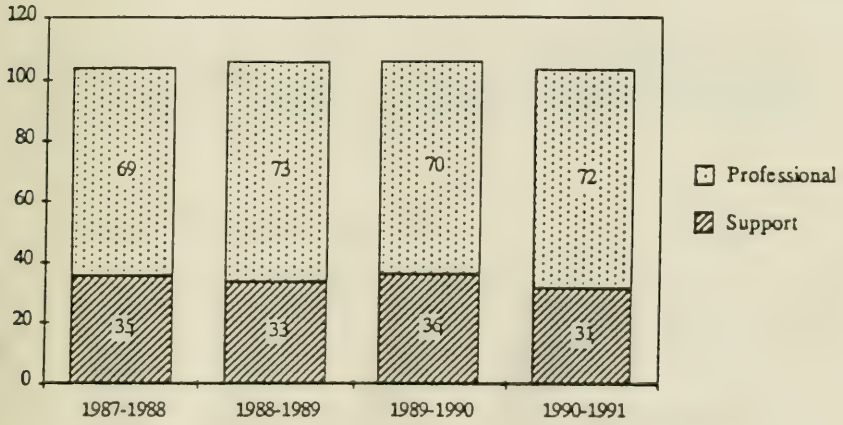
ADDITIONAL DISCUSSION

ASSESSOR'S OFFICE

The statistical analyses below show a significant decline in the number of real estate reassessments conducted by the Assessor's Office in recent fiscal years. Appraisers need to spend less time on clerical work. We understand that Steve Dunbar, Chief Assistant Assessor, has instituted performance standards for real estate appraisers that should result in a tripling of a number of reassessments per appraiser in future years.

Although the Assessor's Office generates no direct departmental revenues, it should be noted that the Assessor is responsible for initiating and maintaining all assessments for the City and County of San Francisco. The property tax revenues alone resulting from this function are in excess of $480 million dollars annually.

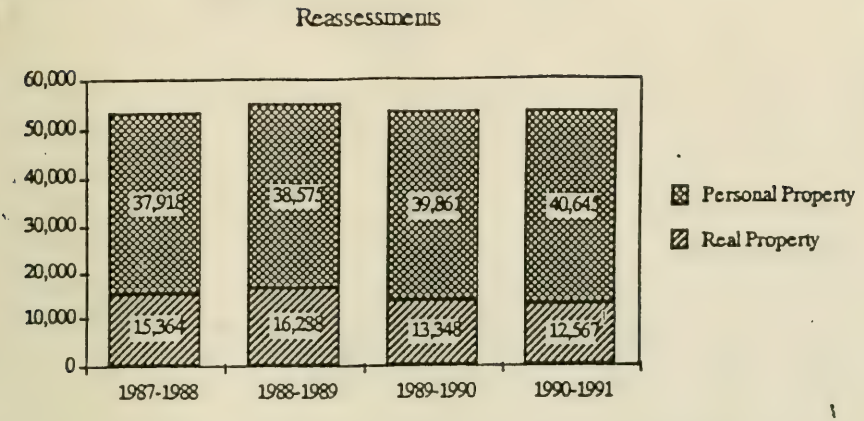
Staffing Trends



- Assessor's Department staffing, as represented on the full time equivalent (FTE) basis above, has been relatively stable for the last four fiscal years. The numbers of FTEs for year prior to 1987-1988 was unavailable.

- An increase in Workmen's compensation claims has reduced the availability of department employees. Currently, 6% of the staff is out on disability.

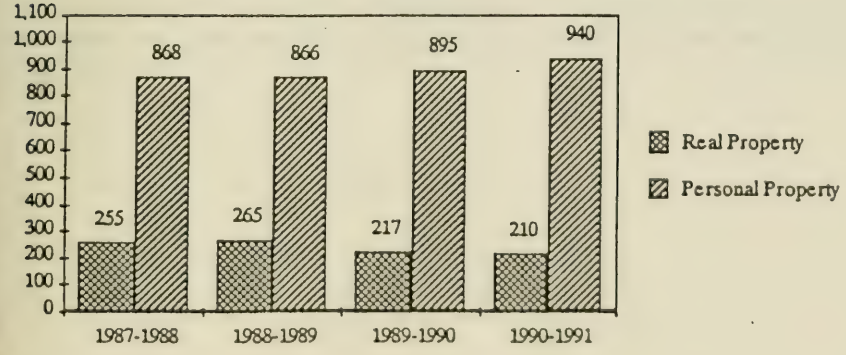
Workload



- With the exception of a larger amount in 1988-1989, the total number of reassessments over the past four fiscal years has been essentially flat.

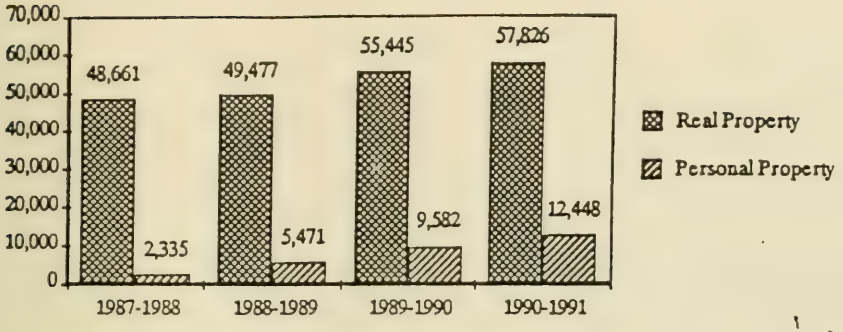
- In the past three fiscal years, there has been a marked decline in the number of real estate reassessments. This decline has been offset by corresponding increases in the number of personal property reassessments.

  It should be noted that the number of real estate assessments above reflect only assessments where values actually changed during the year. Per the Assessor's Office, an additional component of their workload is represented by property reviews where no change in assessment results.



- Also on the basis of reassessments per FTE, the productivity of real estate appraisers is declining while that of personal property appraisers is rising.

Incremental Assessments per FTE
$(000)



- Although the number of reassessments per real estate appraiser is declining, there has been a steady increase in the incremental assessed value per FTE. Of course, this statistic is impacted heavily by the appreciation or depreciation of the general real estate market. By assuming a tax rate of approximately one percent, these incremental assessments can be easily translated into additional property tax revenues. For example, personal property auditor for 1991 can expect to produce $125,000 in revenues according to the above chart.

Peer Comparisons

Although Team Eight solicited comparative data from several entities, no usable information was received. As a result, no peer comparisons have been made for the Assessor's Office.

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SAN FRANCISCO

RECREATION AND PARK DEPARTMENT

Mayor's Fiscal Advisory Committee

March 1992

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- SUMMARY OF FINDINGS
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OVERVIEW

- Costs and revenues have increased modestly over the last 5 years; revenues have increased moderately faster
- Cost increases are driven by wage rates: number of employees reduced from 1257 to 1005 since 1985
- Revenues offset approximately 40% of costs: some activities are self-financing
- Net costs have declined in constant dollars over the last 5 years
- Plan currently being proposed to eliminate 55 positions & $2.75MM in expenses; will reduce service levels, including park maintenance
- Peer cities surveyed each have different characteristics; but following worth noting:
    - San Francisco Rec. & Park does better job generating outside income
    - Salary cost per employe is significantly higher for San Francisco
    - Net Costs are moderately higher than peer group
- Without any changes, current trends indicate modest increase in net costs over the next five years*
- Key to maintaining service is to generate more income sufficient to reduce net costs to acceptable levels

* Assumes passage of June 1992 Bond Issue for Golden Gate Park infrastructure improvements.

POLICY OPTIONS

Increased Revenues

- Three general areas: increase existing fees to match value; develop new revenue activities to better utilize resources; promote greater public support

- Short-term revenue potential estimated at $4.2 - $4.5 million; longer term including Friends of Rec. & Park plus private sponsorship of park areas and attractions could generate additional $3 million annually

Increase Fees to Match Value

- The zoo allows children under 12 free admittance; other cities charge a fee. Matching Oakland policy of $2 for children 2 and above would generate $600,000 - $800,000

- Marina boat slips currently at 2/3rds of competing rates; 5 year waiting list; revenue increase about $400,000 annually

- Swimming pool rates currently 25 cents children, $2.50 adults, far below value provided; increasing children's rate to 75 cents produces over $100,000 annually

- Golf fees remain below market, increase in 1993 including preferred tee times could generate about $600,000 annually

- Event rentals, including wedding and cultural are growing and need to be promoted at Tea Garden, Coit Tower, Hall of Flowers, etc., can generate added $100,000 after 2 to 3 years

- Parking concession receipts from Civic Center, Portsmouth Square, St. Marys, and Union Square garages show flat revenues past four years. Rates considerably below market. 20-25% fee increase could generate up to $1,000,000 annually

Develop New Revenue Activities

Endless possibilities, examples listed below. Judgment, sensitivity to environment, good taste needed. Alternative is steady decline in park and recreational facilities

- Kezar Stadium recently improved; should be used for added events such as pro soccer and rugby; Candlestick for world cup soccer. Revenue $300,000-500,000

- Advertising space at Candlestick and city parking garages can be substantially increased, generating $200,000 - $300,000 annually

- Parking fees and/or permits could be introduced into selected areas of Golden Gate Park and the Beach area. Parking fee for weekday commuters, special park events (i.e. Bill Graham concert) and beach could generate $500,000 - $600,000

- More flexibility and permitting longer term concession leases to encourage capital improvements and added services for sites such as Beach Chalet, Stow Lake boating, Japanese Tea Garden. Could generate over $300,000 of added revenue

- Concession tennis court lessons on Department's 200 courts; concession courts located in Golden Gate Park produces $100,000 - $200,000 annually

- Utilize park lands for more productive use such as golf driving range, Seaworld type attractions -- wide range of possibilities and revenue potential

Promote Greater Use of Private Support

- Friends of Rec. & Park can generate significant outside revenues. Zoo Society ($4MM annually) and NY's Central Park ($8MM) demonstrate potential

- Corporate/Private sponsorship of park attractions with public recognition. Currently funding capital improvements for five sites; could be expanded to an additional 100 other locations

Cost Control

- Utilize more contractual services in areas such as security guards, vehicle maintenance and selected grounds maintenance; other small, specialized areas

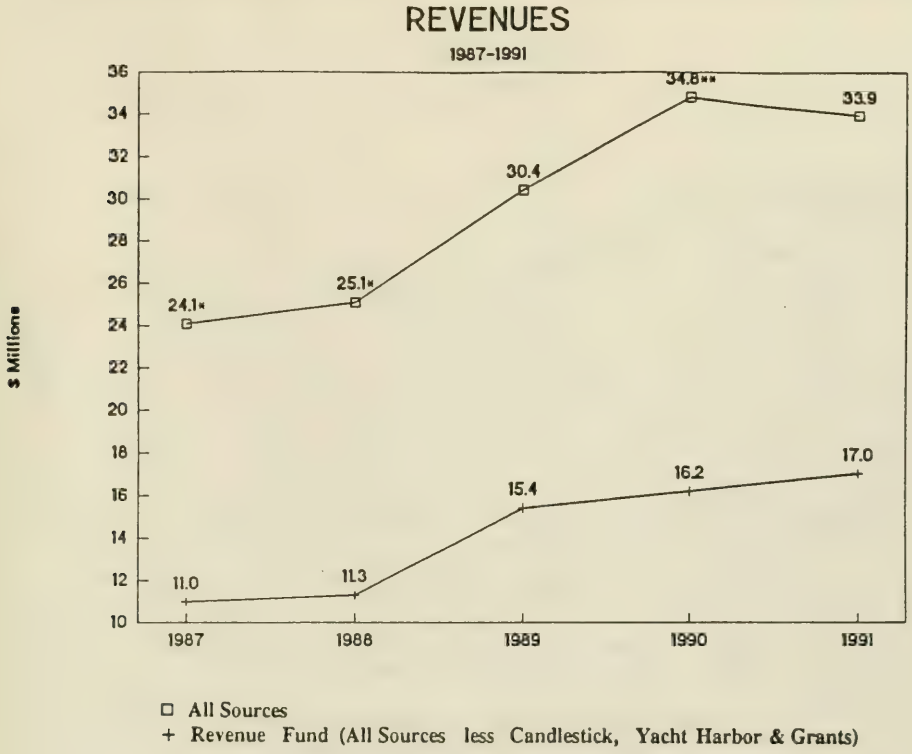
- Reduce maintained sites with low usage, supplemented through neighborhood association support. Newly acquired park land should include maintenance endowment, i.e., Mission Bay, south Beach, & Rincon Annex

- Create informal productivity advisory panel of senior managers from firms engaged in similar activities to discuss productivity, related issues with Department managers

SUMMARY

Watch costs, productivity; focus on increasing earned revenue; move toward self sufficiency as worthwhile goal

(Note on Bond Issue): Pending $76MM bond issue for Golden Gate Park is on June ballot; extremely important to Park's viability. Suggest no recommendation above affecting Golden Gate park be implemented prior to ballot



- Outside Revenues ($28.6MM) & Grants ($5.3MM) meet approximately 40% of costs
- Revenues have increased approximately 8% per year
- Grants, Candlestick & Yacht Harbor provide half of revenues
- Parking Garage Fees represent on average 15% of total revenues

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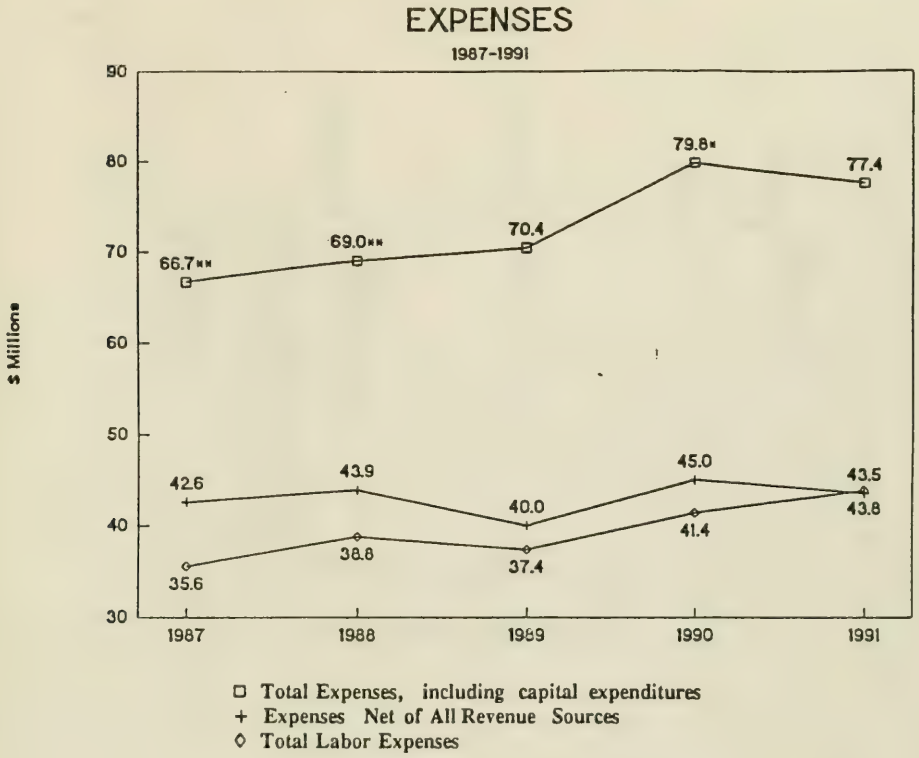
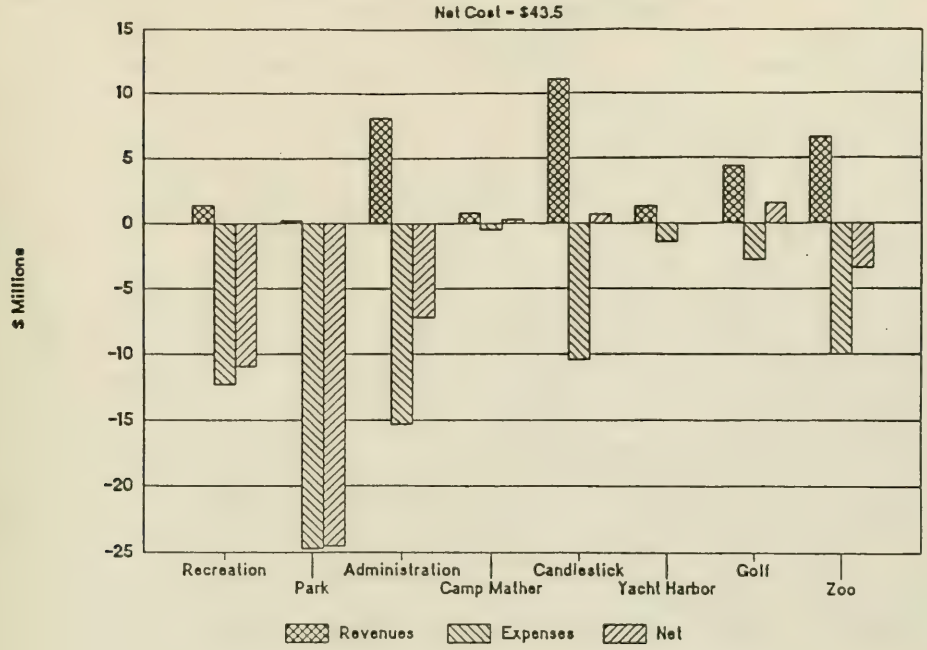
* Includes estimated Zoo Society contributions of $4MM
** Includes state bond of $3.52MM for capital expenditures



- Total Recreation & Park costs have grown 3.8% per annum
- Labor cost averaging approximately 60% of total cost has grown 5.3% per annum
- Net Costs in constant dollars have declined
- Capital Expenditures represent on average 20% of Total costs

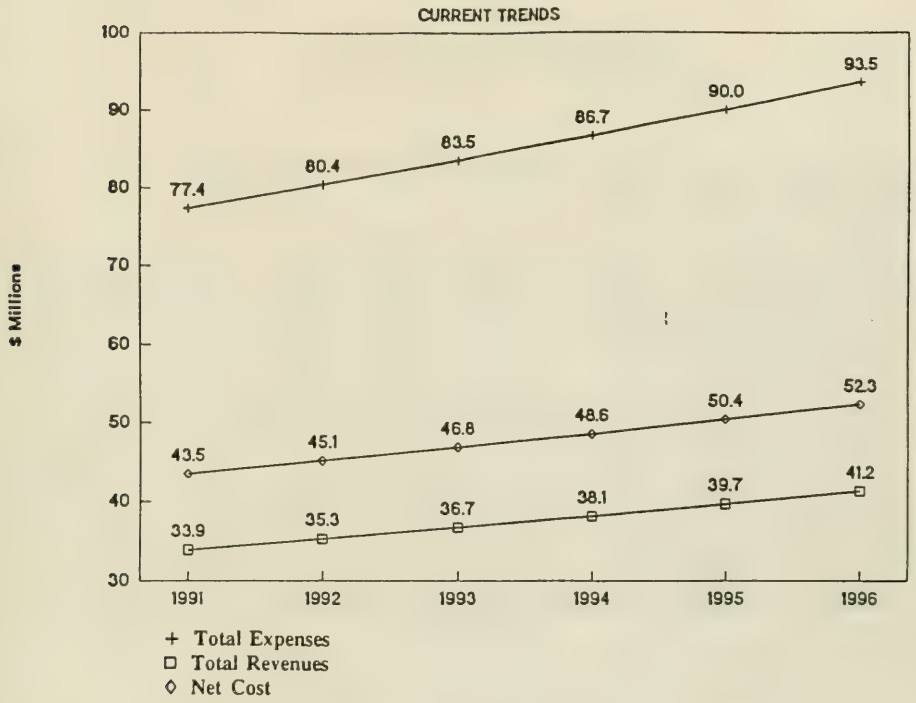
* Includes Open Space Fund capital expenditures $3.2MM greater than average from state bond
** Includes estimated Zoo Society contributions of $4,000,000

1991 NET COST BY PROGRAM



- Some activities (Candlestick, Golf, Camp Mather) are self supporting & contribute to others (does not include overhead allocation)
- Grants & Societies provide $5.3MM in revenues ($4.5MM from Zoo Society)
- Revenues and Costs assigned to Administration include amounts that could be allocated to Recreation or Park

FIVE YEAR FORECAST



- Trends indicate modest increase in net cost
- Labor rates are biggest cost driver
- Revenue trends conservatively projected to reflect prospective decreases in Candlestick Park revenue

Assumptions:

- Labor costs increase 4.5%
- Other costs increase 3%
- Revenues increase 4%
- Number of FTEs remains constant
- June 92 Bond Issue for GGP Capital Improvements passes

PERFORMANCE MEASURES
(Park, Recreation & Golf only)

	1987	1988	1989	1990	1991	Compound Growth Rate
$ Expenses/Capita	$62.9	$66.1	$67.8	$76.0	$74.5	4.3%
$ Revenue/Capita	$14.9	$15.4	$21.1	$22.5	$23.4	11.9%
Net Cost/Capita	$48.0	$50.6	$46.7	$53.5	$51.0	1.5%
% Cost Recovered	24%	23%	31%	31%	31%	N.A.
FTE's/10,000 Population	11.8	12.5	12.1	12.2	12.3	N.A.
FTE's/Acre Maintained	.21	.22	.21	.21	.21	N.A.
Labor $/Total Expense $ (%)	70%	73%	69%	69%	73%	N.A.
Labor $000/FTE (000s)	$37.2	$38.5	$38.6	$42.6	$44.7	4.7%
$ Expense/Acre (000s)	$11.2	$11.7	$11.9	$13.3	$13.1	4.0%

N.A. = not applicable

- Revenues have increased moderately faster than expenses
- Staff levels have remained relatively constant
- Labor Costs per FTE have increased 4.7% per year

Peer Comparisons(1)
(Park, Recreation & Golf only)

	San Francisco(2)	Seattle	San Diego(3)	San Jose(4)
Expenses (000s)	$54,128	$35,056	$45,088	30,169
Revenues (000s)	$17,037	$7,023	$17,454	$4,023
Net Cost (000s)	$37,091	$28,033	$27,634	$26,146
Population (000s)	727	516	1,111	785
FTEs	886	714	912	613
Labor Expense (000s)	$39,600	$26,824	$29,206	$21,413
Non-Labor Expense (000s)	$14,528	$8,232	$15,882	$8,756
Maintained Acres	4,145	5,000	6,207	1,390
Expenses/Capita	$74.5	$67.9	$40.6	$38.4
Revenues/Capita	$23.4	$13.6	$15.7	$5.1
Net Cost/Capita	$51.0	$54.3	$24.9	$33.3
Cost Recovered (%)	31%	20%	39%	13%
FTEs/10,000 Pop.	12.2	13.8	8.2	7.8
FTEs/Maintained Acres	0.21	0.14	0.15	0.44
Labor Expense/FTE (000s)	$45	$38	$32	$35
Labor Expense/Total Expenses	73%	77%	65%	71%
Expense/Acre (000s)	$13.1	$7.0	$7.3	$21.7
Labor Exp./Acre (000s)	$9.6	$5.4	$4.7	$15.4
Non-Labor Exp/Acre (000s)	$3.5	$1.6	$2.6	$ 6.3

OBSERVATIONS

- Maintaining funding is a universal problem
- Outside service contracting (maintenance) is uncommon
- Outside concessionaires are widely used
- San Francisco's cost per capita, level of staffing, and labor % is higher than average
- San Francisco recovers more costs through fees, admissions, etc.
- San Francisco labor rates are significantly higher than average
- Net costs per capita are moderately higher than average

(1) Amounts include Park, Rec, and Golf. Zoo, Aquarium, Stadium, and Marina Excluded for consistency.

(2) San Francisco data also exclude Camp Mather.

(3) Revenues based on 1989 figures increased by 4% to approximate 1990. Approximately $4-5MM in revenues are due to Seaworld lease payments.

(4) San Jose data exclude Golf which is operated by an outside concessionaire.

SAN FRANCISCO RECREATION AND PARK DEPARTMENT

Summary of Findings

Introduction: During the past several months as part of a MFAC project to review operations of various City Departments, a subcommittee consisting of Mike Riley and Clark Warden interviewed members of the Recreation and Park Department. In addition, several peer group cities were selected, and facts gathered from their Departments of Recreation and Park. This report, which was reviewed with the Department Manager, represents an overview of these efforts, and policy recommendations. Many of the recommendations discussed below represent ideas developed and currently being considered by department management.

Summary: The Recreation and Park Department's revenues have generally increased moderately faster than increases in expenses, while FTE's and net expenses (after outside revenues have remained relatively constant during the past five years. When comparing San Francisco with other cities used in the survey, it became apparent that they each have different characteristics than San Francisco; however, two conclusions are appropriate. First, San Francisco Rec. & Park does a better job than others in generating outside revenues. Second, comparing FTE's to salary costs indicate that cost per employee is higher than peer cities.

Control of labor costs, a significant portion of the Department's total expense, is more of a city-wide issue relating to Charter provisions and the wage setting formula than to issues specific to the Department. Efforts should be made to control costs and increase productivity, and some recommendations to achieve this are outlined below.

More significant to the reduction of net costs, however, lies in the potential to improve outside revenues. A number of recommendations address revenue improvement. Many can be implemented in the near term, but some, such as the funding for Friends of Rec. & Park, require longer term efforts. The goal of the recommendations is to make the Department consistently more self sufficient in terms of outside revenues versus costs.

COST CONTROL

In the area of cost control, significant further cost cuts, without reducing service levels, are very difficult. Salaries and fringe benefits represent approximately 60% of the Department's total costs. Total employees have decreased from a high of 1,257 in 1985 to about 1,005 currently. Major reductions included 150 from service/maintenance (565 remaining) and 38 from office/clerical (53 remaining).

Reductions also included the elimination of 161 paraprofessional positions previously staffed by CETA beneficiaries. In response to the current fiscal crisis, the Department has developed a plan which will eliminate an additional 55 positions and $2.8 million in expenses, but will cut into the level of service, particularly in park maintenance. In addition, routine repair of the physical facilities, handled by a staff of 76 skilled craft personnel, is currently understaffed and behind in requested repair (over 9,000 work orders submitted this year vs. 6,000 completed). While additional efficiencies are possible, the key to maintaining current levels of service is to generate additional fee income in amounts sufficient to stabilize or reduce net costs to acceptable budgetary levels. Nevertheless, there are areas where cost control or reduction are practical, and will not reduce the level of service. The areas discussed below are not intended to be all-inclusive.

Utilize More Contractual Services: Specifically defined services in such areas as security guards, vehicle maintenance and selected grounds maintenance should be considered for competitive bidding by outside contractors. Other areas which are relatively small, are specialized, or which require special training, and are difficult for the Department to manage, are prime candidates for outside, specialty contractors, subject to cost-benefit analysis.

Reduce Maintained Sites/Acreage: High maintenance, low usage sites should be reviewed and, where possible, maintenance reduced or supplemented through neighborhood association support. Acceptance of new, donated park land should be conditional on endowment for private maintenance where appropriate.

Create Informal Productivity Advisory Panel consisting of private sector senior managers from firms engaged in similar activities, such as tree trimming, lawn and garden care, security, facilities maintenance, etc. Members would be available to discuss informally technology improvements, crew size, worker productivity standards, etc. with Department Managers.

INCREASED REVENUES

Increases in outside revenues are divided into three general areas: increases in existing fees to bring such fees closer to comparative value or market rates; development of new revenue activities to more productively utilize existing resources; and promoting greater use of public support such as the recently announced plan to transfer Zoo operations to the non profit corporation, the Zoo Society, that currently provides very substantial support. Specific recommendations outlined below represent examples, and are not meant to be all-inclusive, and most will need to be tested for political sensitivity. However, short term revenue potential from these recommendations is estimated at between $4.2 and $4.5 million annually. In

addition, over time, Friends of Rec. & Park, if half as successful as the Zoo Society, should be able to generate $2 million. Corporate and private sponsorship of park areas and attractions currently involves capital improvement funding for five sites, totaling about $100,000. There are numerous other locations (75-100) which would lend themselves to this type of approach, and if handled property, could probably generate in excess of $1 million annually.

Increase Fees to Match Value

The zoo allows children under 12 free admittance while most other cities charge a fee. If the city were to implement the same pricing policy as the Oakland Zoo ($2.00 for children two and older), it could generate $600,000 - $800,000 on revenue.

Marina boat slips are currently priced at about 2/3rds of rates at Pier 39 and other competitive locations, and there is an average 5 year waiting list. Estimated revenue potential is $400,000 annually.

Swimming pool rates are currently 25 cents for children and $2.50 for adults, far below market or value provided. An increase in children's fees to $.75 could produce over $100,000 annually.

Golf fees remain below market, and there is room for improvement, probably in 1993. Including premiums for preferred tee off times, revenue potential is $600,000.

Event Rentals, including wedding and cultural events, are growing and need to be promoted. Such events involve the Tea Garden, Coit Tower, Hall of Flowers, etc., and represent over $100,000 per year after 2 to 3 years.

Parking Concession Receipts from Civic Center, St. Mary's, Portsmouth Square, and Union Square garages show flat to reduced revenue trends during the past four years, and currently total over $5MM annually. Although this is now under the jurisdiction of the Parking & Traffic Commission, the revenues still go to Rec. & Park and is worth noting in the review. It would appear these fees need to be reviewed & Concession Audit procedures reexamined and tightened. A survey of competitive parking rates in the Union Square area showed that Union Square Garage parking rates are significantly below market, even considering public policy of charging below market for short term parking. Current fees at Union Square Garage are about half of what competing garages charges for the first two hours. An increase in rates for all garages could potentially produce $1MM annually and still be less then competing garages.

San Francisco Recreation and Park Department

Develop New Revenue Activities

This area is virtually endless in terms of possibilities, but some of the more immediate examples are listed below. Sensible judgment, sensitivity to the physical environment and reasonable good taste are needed to insure widespread acceptance. The unfortunate alternative to these sources of additional revenue is a steady decline in the City's park and recreational facilities and services.

Kezar Stadium, recently improved at considerable cost, should be used for additional events, such as pro soccer and rugby, and **Candlestick** for world cup soccer. Revenue potential is $300,000 to $500,000 annually.

Advertising Space sold at Candlestick can be substantially increased, and more advertising space can be sold in the City's parking garages, producing between $200,000 and $300,000 of added revenue.

Parking Fees, Permits should be introduced for selected areas of Golden Gate Park and the Beach area. Commuters are currently parking free in the park, and during special events, such as the recent Bill Graham memorial concert, autos parked free yet damaged parkland. Permit parking for commuters could be introduced during the week, park entrance fees for special events should be implemented, and parking fee devices installed at the Beach. These measures should generate between $500,000 and $600,000.

Longer Term, More Flexible Concession Arrangements would generate additional revenues. The reluctance to grant a long term lease at Beach Chalet, which currently sits vacant, and the inflexible concession arrangements at the Japanese Tea Garden have resulted in lost revenue. Currently the Yacht Club is seeking a longer term lease which would result in additional revenues. It is estimated that additional flexibility on leasing arrangements could, in the short term, generate an additional $200,000 to $300,000 in revenues.

Concessioning Tennis Court Lessons on the Department's 200 tennis courts, and concessioning the approximately 30 courts located in Golden Gate Park would generate $100,000 to $200,000 annually for tennis court maintenance and for general use.

Sensibly Utilizing Park Lands for More Productive Use, such as a golf driving range, SeaWorld type attractions, etc., encompasses a wide range of possibilities and revenue potential.

Promote Greater Use of Private Support

Friends of Rec. & Park (or a similar organization) could generate significant outside revenues. Friends of Rec. & Park is in its financial infancy, and should be actively encouraged and supported. Private support of the San Francisco Zoo (in excess of $4 million annually) and of New York's Central Park (about $8 million) demonstrates the potential for private support of unique recreational resources. If only half as successful as the Zoo Society, revenues would exceed $2 million per year.

Corporate/Private Sponsorship of park attractions or park areas has funded capital improvement at five sites, totaling about $100,000. Private sponsorship should be encouraged to generate funding for additional locations (75-100) and events; for instance, the ABC Corporation Rose Garden, or the John Smith Hall of Flowers, etc. These efforts, to be successful, require focus and persistence, and will probably require a Director of Development to successfully implement.

SUMMARY

There is a natural tendency, because it is easy to implement and not politically sensitive, to simply cut costs to solve budgetary deficits. There is no question that there are areas of the Recreation and Park Department where such steps are appropriate, and are currently underway. However, and on a longer term basis, strong and continued focus must be placed on increasing the Department's stream of earned revenue. Although such efforts may not result in the Department becoming self-sufficient, it is a very worthwhile goal, and one which should be encouraged.

(Note on Bond Issue): The pending $76MM bond issue for Golden Gate Park infrastructure has been placed on the June, '92 ballot, and is extremely important to the long term viability of the Park. The recommendation outlined above involving the strengthening of Friends of Rec. & Park may be helpful in building awareness of the problems facing the Park, and in supporting the Bond Issue's passage. Because most change has some degree of political sensitivity attached, no other recommendation outlined above directly or indirectly involving Golden Gate Park should be implemented prior to the ballot.

DEPARTMENT TREND ANALYSIS

Dept #42

Dept Name: Recreation and Park Commission

Workload, Staffing, Revenue & Expense 1987-96

Prepared by:_____ Date:_____

Fiscal Years Ending June 30th:	1987	ACTUAL 1988	1989	1990	1991	Avg % Annual Growth	1992	FORECAST 1993	1994	1995	1996	Avg % Annual Growth
STAFFING (FTE Basis)												
A. Officials & Administrators		8	10	10	10		10	10	10	10	10	
B. Professionals		181	192	205	188		188	188	188	188	188	
C. Technicians		3	3	4	5		5	5	5	5	5	
D. Protective Services		13	15	14	14		14	14	14	14	14	
E. Paraprofessionals		86	64	75	68		68	68	68	68	68	
F. Office/Clerical		68	68	67	67		67	67	67	67	67	
G. Skilled Craft		69	75	76	74		74	74	74	74	74	
H. Service/Maintenance		594	603	609	592		592	592	592	592	592	
X. Elected/Exempt		3	3	3	4		4	4	4	4	4	
Total Staffing		1,025	1,033	1,063	1,022		1022	1022	1022	1022	1022	
STAFFING RATIOS												
Professionals (B) per manager (A+X)		16.45	14.77	15.77	13.43		13.43	13.43	13.43	13.43	13.43	
Support empl. (C-H) per Professional		75.73	63.69	65.00	58.57		58.57	58.57	58.57	58.57	58.57	

REVENUE TRENDS (Actual & Forecast) (Amounts in $ 000)	1987	ACTUAL 1988	1989	1990	1991	Avg % Annual Growth	1992	FORECAST 1993	1994	1995	1996	Avg % Annual Growth
Fed'l and State Govt sources 6000-6599		189	174	171	179		186	194	201	209	218	4%
User fees 7000-8999		17509	22033	21446	23069		23992	24951	25949	26987	28067	4%
							0	0	0	0	0	4%
Enterprise depts: charges, fees 9000-9399		796	1089	1271	1032		1073	1116	1161	1207	1256	4%

(Amounts in $ 000) Revenue Trends (Continued)	1987	ACTUAL 1988	1989	1990	1991	Avg % Annual Growth	1992	FORECAST 1993	1994	1995	1996	Avg % Annual Growth
Interest & Investment Income 5400-5405		1768	2098	2258	1871		1946	2024	2105	2189	2276	4%
Revenue from use of property 5411-5419			153	176	229		238	248	258	268	279	4%
Transfers from other City depts 9990							0	0	0	0	0	4%
Large special items (See instructions)		9900	12192	11966	12595		13099	13623	14168	14734	15324	4%
All other revenue sources		941	955	1115	1059		1101	1145	1191	1239	1288	4%
TOTAL Dept Revenue *		$31,103	$38,694	$38,403	$40,034		$41,635	43301	45033	46834	48707	
Less Open Space Fund & General Taxes		9900	12192	11966	12595		13099	13623	14168	14734	15324	4%
Grants, Societies, and Bequests		4000	5542	7543	5256		5466	5685	5912	6149	6395	4%
Other Rev. not included in Summary Rev. Report		-91	-1651	885	1192		1240	1289	1341	1394	1450	4%
Total Revenue		$25,112	$30,393	$34,865	$33,887		$35,242	$36,652	$38,118	$39,643	$41,229	

Dept Name: Recreation and Park Commission

Fiscal Years Ending June 30th:	1987	ACTUAL 1988	1989	1990	1991	Avg % Annual Growth	1992	FORECAST 1993	1994	1995	1996	Avg % Annual Growth
EXPENDITURE TRENDS (Actual & Forecast)												
Permanent salaries 001-005		25908	26230	29949	31235		32641	34109	35644	37248	38924	4.5%
Holiday, overtime, differential pay 010-019		622	589	707	799		835	873	912	953	996	4.5%
Temporary salaries 020, 030		4090	3704	4213	4745		4959	5182	5415	5659	5913	4.5%
Mandatory fringes & health svce 060-071		7855	7757	8541	8828		9225	9640	10074	10528	11001	4.5%
Subtotal, Pay and benefits		$38,475	$38,280	$43,410	$45,607		$47,659	$49,804	$52,045	$54,387	$56,835	
Professional services 100-105		114	13	1	0		0	0	0	0	0	3%
Other Contractual services 040, 106-1		1911	2117	2201	2407		2479	2554	2630	2709	2790	3%
Telephone 123		245	191	276	217		224	230	237	244	252	3%
Rental of property & equipment 146		1977	1925	1915	1821		1876	1932	1990	2050	2111	3%
Material & supplies 130		2419	2793	2546	2517		2593	2670	2750	2833	2918	3%
Large special items (See Instructions)		57	24	76	38		39	40	42	43	44	3%
Other depmt'al expense (See Instructions)		1926	2523	2632	2465		2539	2615	2694	2774	2858	3%
Chgs fm other City depts 300-389; 410-460		3401	4742	4677	5138		5292	5451	5614	5783	5956	3%
Subtotal, Operating expenses		$50,525	$52,608	$57,734	$60,210		$62,700	$65,296	$68,002	$70,823	$73,763	
Capital Projects 202-203		56	7	0	0		0	0	0	0	0	3%
Debt service 401-403		196	57	11	23		24	24	25	26	27	3%
Purchase of property & equipmt 220-235		777	660	649	515		530	546	563	580	597	3%
Total Dept Expenditures (Gross)		$51,554	$53,332	$58,394	$60,748		$63,255	$65,867	$68,590	$71,429	$74,387	
Less: Interdepartmental recovery 390		-1012	-2111	-2594	-2485		-2560	-2636	-2715	-2797	-2881	3%
TOTAL Dept Expenditures*		$50,542	$51,221	$55,800	$58,263		$60,695	$63,231	$65,875	$68,632	$71,506	
Capital Expenditures		13509	14656	19084	13034		13425	13828	14243	14670	15110	3%
Other Exp. not included in Summary Exp. Report		4965	4522	4911	6096		6279	6467	6661	6861	7067	3%
Total Expenditures		$69,016	$70,399	$79,795	$77,393		$80,399	$83,526	$86,779	$90,163	$93,683	
General Fund Subsidy		$43,904	$40,006	$44,930	$43,506		$45,156	$46,874	$48,660	$50,520	$52,455	
PERFORMANCE MEASURES												
(Amounts in $)												
A. Average comp (pay & benefits) per FTE		$37,537	$37,057	$40,837	$44,625		$46,633					
B. Avg Non-Personnel cost per FTE		$11,700	$13,847	$13,404	$14,251		$14,679					
C. Dept operating exp. per FTE			$50,904	$54,241	$58,877		$61,312					
D. Actual % chg in avg comp per FTE			-1.28%	10.20%	9.28%		4.50%					
E. Forecast % chg in avg comp per FTE								3.0%	3.0%	3.0%	3.0%	

MAYOR'S FISCAL ADVISORY COMMITTEE

Cost and Revenue Trend Project

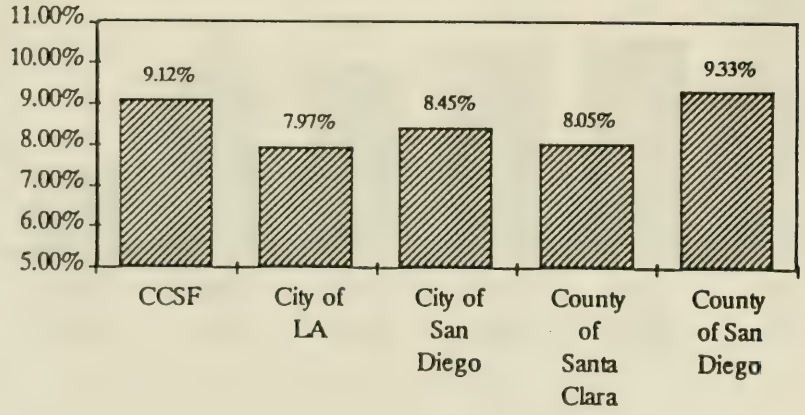
OFFICE OF THE TAX COLLECTOR

April 29, 1992

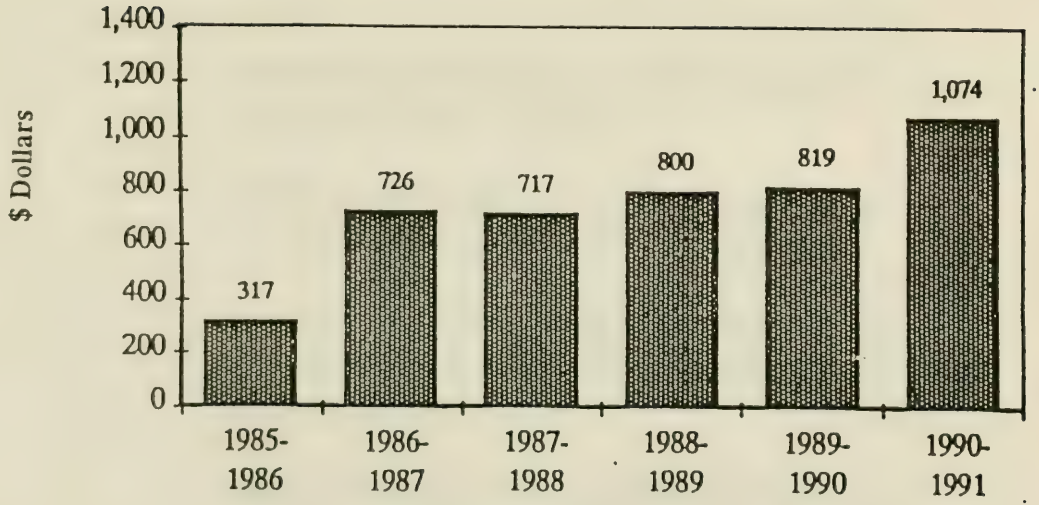
- INVESTMENT RETURN IS ABOVE AVERAGE VERSUS PEERS IN CALIFORNIA

- INTEREST EARNED IN 1990 - 1991 EXCEEDED $100 MILLION

Annual Investment Yield
Six Year Period Ended June 30, 1991



Audit Deficiency Section
Audit Billings per Hour



NOTE: There has been an average annual productivity gain of 22.6%

- Continue to Implement New Systems and Productivity Standards.

  - We commend the development of the new system to maximize existing business tax collections in the City.

  - Join with the Assessor in the development of a property based information system.

  - Link the new system to the Tax Collection Division, Assessor's Office, BBI / DPW and Controller.

  - Increases in revenue from the existing tax base can be achieved only with better systems and training of tax audit personnel.

  - Cost centers need to be established to measure productivity and return from individual tax revenue sources.

- Improve Communications between the Tax Collection Division, Board of Supervisors and City Attorney's Office.

  - With respect to proposed tax ordinances, bring the Tax Collector into the picture right away to assure that tax collections are handled efficiently.

- Upgrade positions and salaries that have a high degree of public interaction:

  - Need to upgrade the City's image.

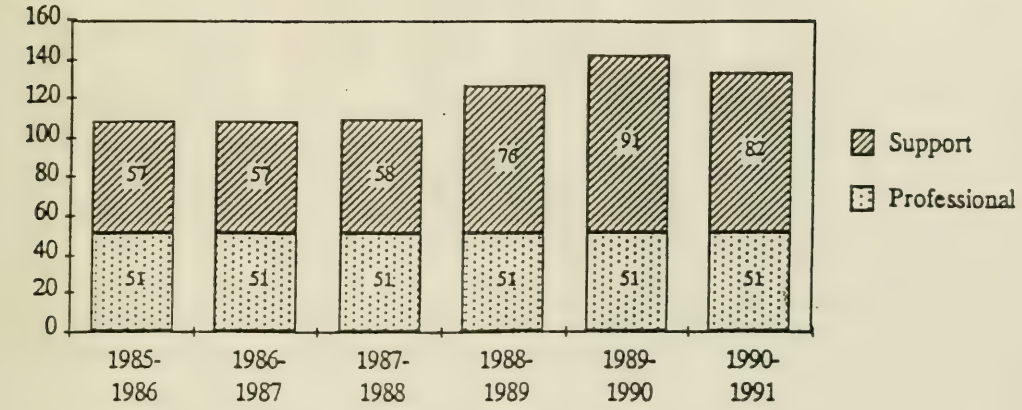
  - Consider the implementation of a training course in customer service skills for these personnel.

- Obtain desk top computers

  - Train people to minimize the manual manipulation of information.

ADDITIONAL DISCUSSION

Staffing Trends

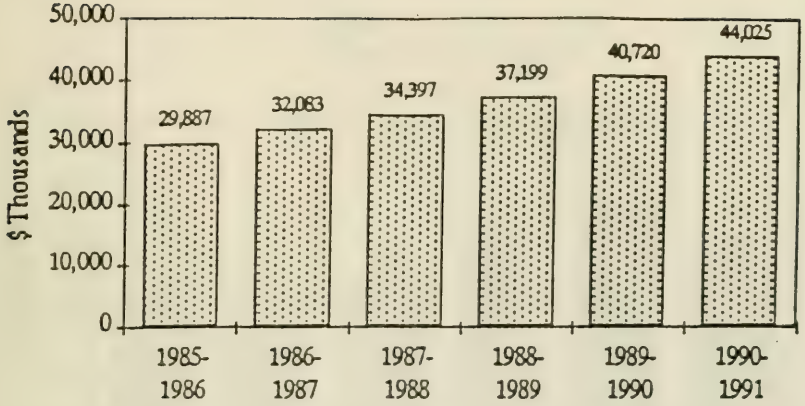


- While professional staffing in the Tax Collection Division has remained stable over the last six fiscal years, support staffing has increased in the last three fiscal years.

Workload

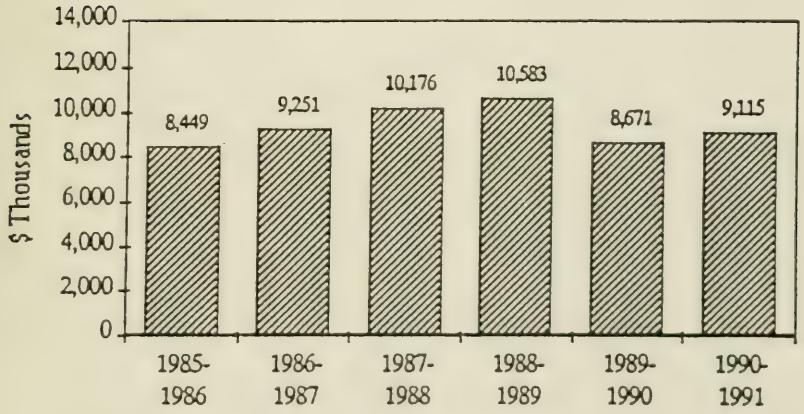
The Tax Collection Division is composed of several Sections. Workload and productivity measures for each of these Sections follow.

Property Tax Section
$ Collected per Employee



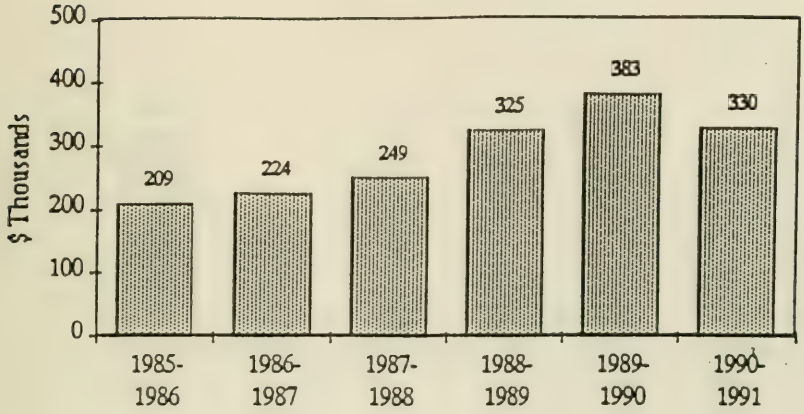
o Amounts collected per employee in the Property Tax Section has increased steadily in each of the last six fiscal years. Over this period, the annual average growth in collections per employee was 6.7%.

Business Tax Section
$ Collected per Employee



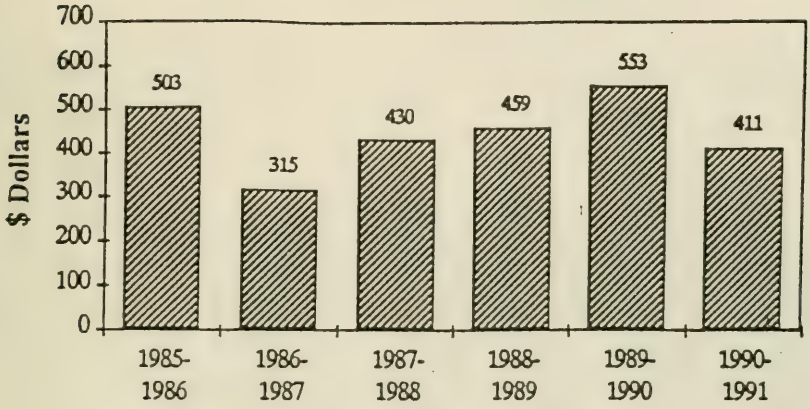
o In the Business Tax Section, amounts collected per full time employee rose over the first four fiscal years but declined significantly between the 1989 and 1990 fiscal years. However, the 1988-89 statistics are inflated since the new business registration fee was added in that year, but the staff to handle its collection was added in 1989-1990. The overall rate of growth in this productivity measure over the last six fiscal years has been 1.2%.

Delinquent Revenue Section
Collections per Employee



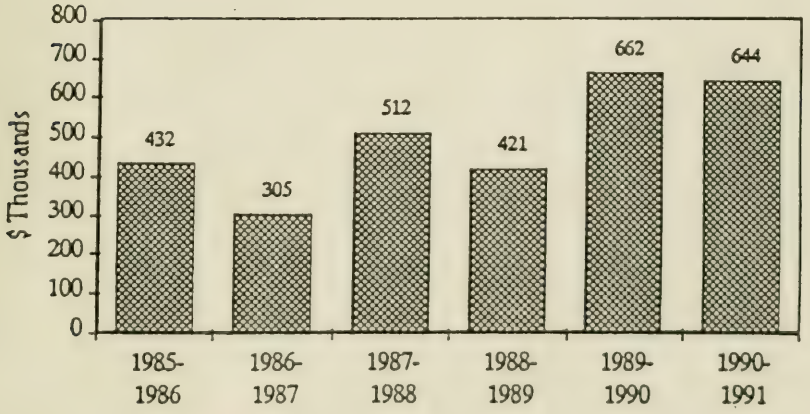
- Prior to the most recent fiscal year, collections per employee in the Delinquent Revenue Section increased steadily. Over the period graphed above, the average annual increase in this productivity measure was 7.9%.

Investigations Section
Collections per Call



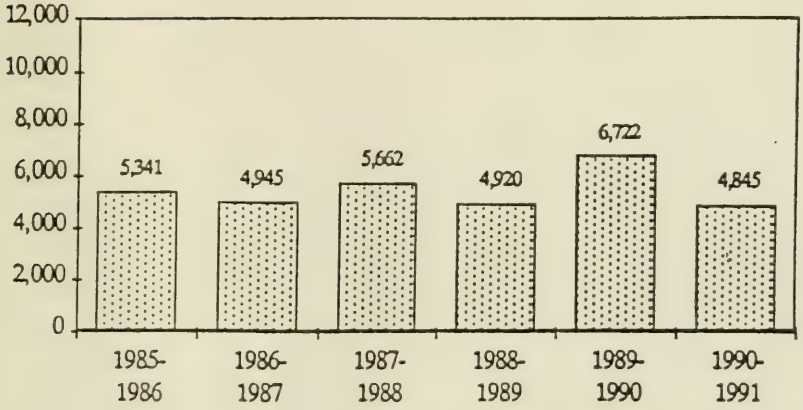
- Collections per Call in the Investigations Section has exhibited a roller coaster trend over the past six fiscal years. Over this period, there has been an average annual decline of 3.3% for this productivity measure.

Legal Section
Recoveries per Employee

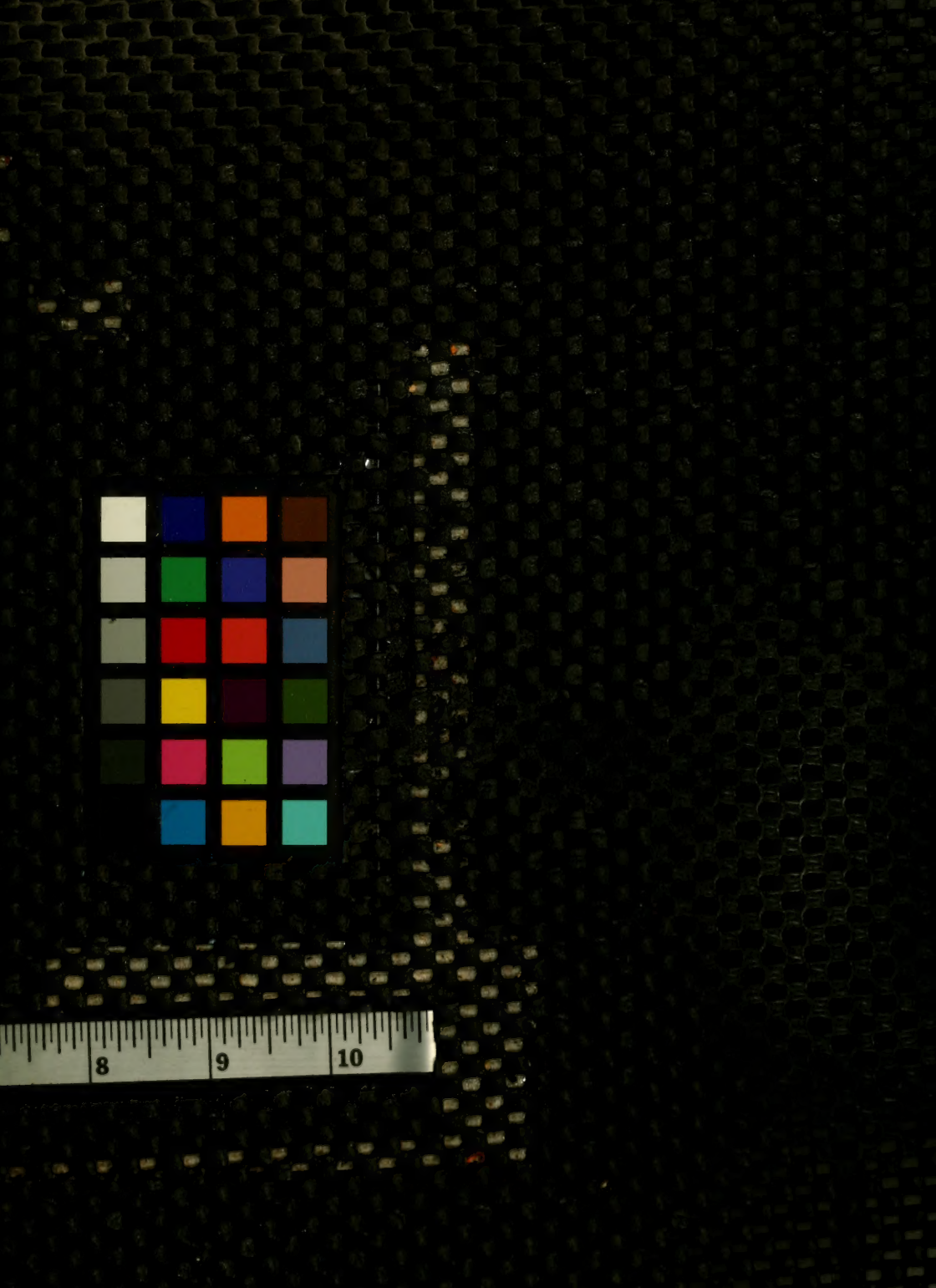


- The overall trend in recoveries per employee in the Legal Section has been positive although there have been several year-to-year declines. The average annual growth for the period graphed above has been 6.9%.

License Section
Licenses Issued per Employee



- In recent years, licenses issued per employee has declined due to the migration of the Parking and Preferential Parking Section to the Parking and Traffic Department.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